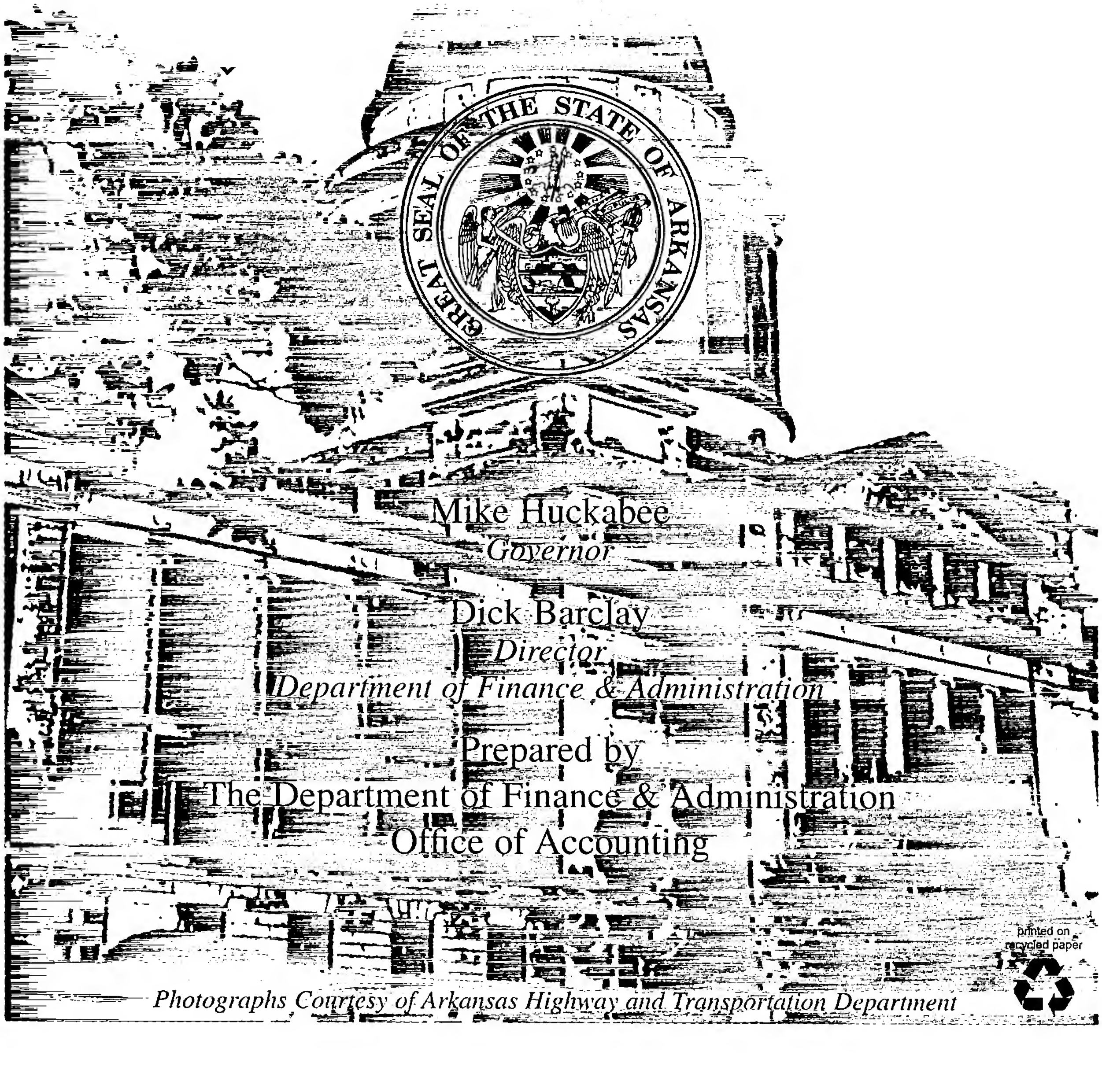
# ARKANSAS

## *Comprehensive Annual Financial Report*

## For The Fiscal Year Ended June 30, 1999



Mike Huckabee
*Governor*

Dick Barclay
*Director*
*Department of Finance & Administration*

Prepared by
The Department of Finance & Administration
Office of Accounting

printed on recycled paper

*Photographs Courtesy of Arkansas Highway and Transportation Department*

*Governor Mike Huckabee*

STATE OF ARKANSAS
OFFICE OF THE GOVERNOR
*State Capitol*
*Little Rock 72201*

Mike Huckabee
*Governor*

November 10, 1999

To the Citizens of Arkansas
and the Honorable Members of
the Legislature:

I submit to you the June 30, 1999, *State of Arkansas Comprehensive Annual Financial Report* ("CAFR"). This report is an important part of our effort in timely and accurate financial reporting. It provides us a complete picture of the State's financial status and is an excellent means to meet continuing disclosure responsibilities to the national credit markets.

The State's three previous CAFRs were presented the Government Finance Officers Association's *Certificate of Achievement for Excellence in Financial Reporting*. This prestigious award represents an accomplishment of which I am quite proud. I am confident that the Department of Finance and Administration will continue to participate in this highly prestigious program.

My sincere thanks to the Department of Finance and Administration for its commitment to this project and to the other state agencies that cooperated to complete it.

Sincerely,

Mike Huckabee
Governor

GREAT SEAL OF THE STATE OF ARKANSAS

# ACKNOWLEDGMENTS

Report prepared by the Department of Finance and Administration Office of Accounting:

Dick Barclay
Director

Tim Leathers
Deputy Director/Commissioner of Revenues

Tom Smith, CGFM
Administrator of Office of Accounting

Financial Reporting Staff:

Ron Hopper, CGFM
George Lepper, CPA
Joe Norton

Special appreciation is given to John Jackson and Randy Ort, Arkansas Highway and Transportation Department, who assisted in the design of the cover and divider pages and to all personnel throughout the State, whose extra effort to contribute accurate, timely financial data for their agencies, made this report possible.

# STATE OF ARKANSAS

# COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1999



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### *INTRODUCTORY SECTION*

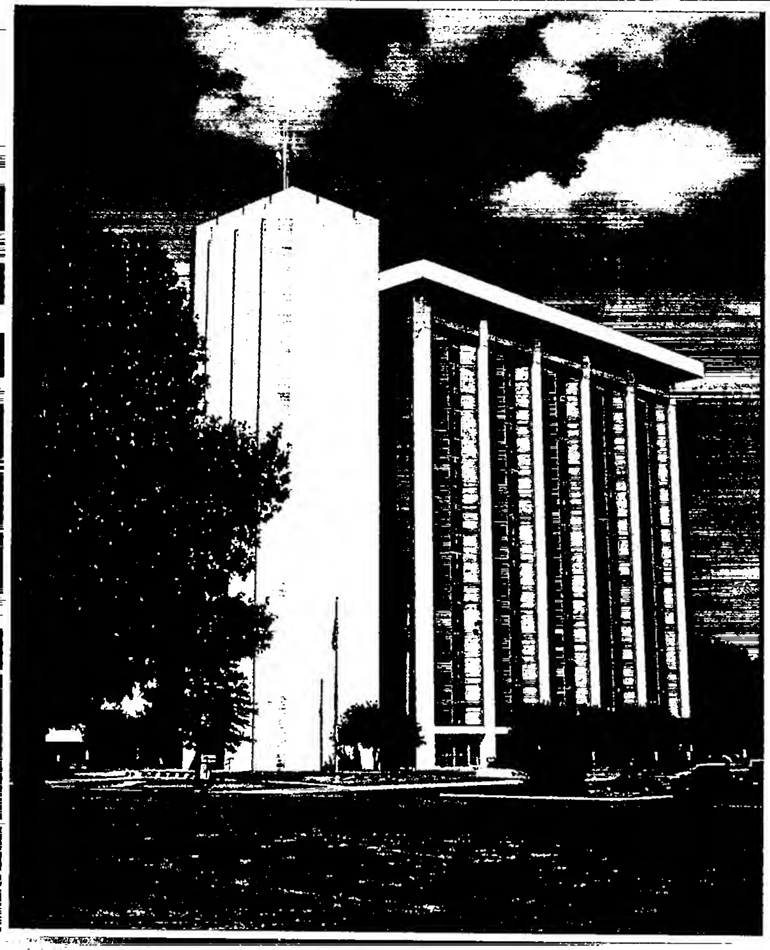
## Combining Financial Statements and Schedules



## *STATISTICAL SECTION*

# Introductory Section

*"Arkansas Highway and Transportation Department is working to provide a safe, efficient, aesthetically pleasing and environmentally sound intermodal transportation system for the citizens of Arkansas."*



**Arkansas Highway and Transportation Department's Central Office Building**

The AHTD moved to its present headquarters building on I-30 in southwest Little Rock in 196[illegible].

# STATE OF ARKANSAS

## PRINCIPAL OFFICIALS

| Elected Officials | Legislative Branch | Supreme Court |
| --- | --- | --- |
| **Governor**<br>Mike Huckabee | **President Pro Tempore**<br>Jay Bradford | **Chief Justice**<br>W.H. "Dub" Arnold |
| **Lt. Governor**<br>Winthrop P. Rockefeller, Jr. | **Speaker of the House**<br>Bob Johnson | **Associate Justice**<br>Robert L. Brown |
| **State Treasurer**<br>Jimmie Lou Fisher | | **Associate Justice**<br>Annabelle Clinton Imber |
| **State Auditor**<br>Gus Wingfield | | **Associate Justice**<br>Lavenski Smith |
| **Secretary of State**<br>Sharon Priest | | **Associate Justice**<br>Donald L. Corbin |
| **Attorney General**<br>Mark L. Pryor | | **Associate Justice**<br>Tom Glaze |
| **Land Commissioner**<br>Charles Daniels | | **Associate Justice**<br>Ray Thornton |

**State of Arkansas**
DEPARTMENT OF FINANCE AND ADMINISTRATION
P.O. Box 3278
Little Rock • 72203-3278

OFFICE OF
THE DIRECTOR

PHONE (501) 682-2242
FAX (501) 682-1086

November 10, 1999

The Honorable Mike Huckabee, Governor
The Honorable Members of the Arkansas Legislature
The Citizens of Arkansas

It is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Arkansas (the "State") for the fiscal year ended June 30, 1999. The report has been prepared by the Department of Finance and Administration. Responsibility for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures, rests with the Department of Finance and Administration. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the various funds and account groups of the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The report is presented in three sections. The introductory section includes this transmittal letter with narrative commentary on matters of interest to the reader and the State's organizational chart; the financial section includes the Independent Auditors' Report, general purpose financial statements, notes to the financial statements, required supplementary information, combining financial statements by fund type, schedules for account groups and other schedules; the statistical section includes selected financial, economic, and demographic data for the State on a multi-year basis.

All agencies, accounts, departments, boards and commissions that represent the State's reporting entity are included in this report. The criteria used in determining the State's reporting entity are fully discussed in Note 1. The State provides a full range of services including: education, health and human resources, transportation, public safety, conservation of natural resources, economic development and regulation of businesses and professionals.

## ECONOMIC CONDITION AND OUTLOOK

The longest and most prosperous expansion in Arkansas history can be attributed to the State's competitive performance in worker productivity and new investment. The State's work force and other factors continue to attract investment in other sectors as well as manufacturing to the State. The fundamental determinant of wages is productivity; but wages are not the only determinant of the favorable rate of investment in Arkansas. Energy costs, investment in public infrastructure, geographical location, other labor compensation costs, housing costs, educational investment, environment, and State fiscal policy also contribute to the investment climate in Arkansas.

In fiscal 1999, non-agricultural payroll employment expanded by 16,500 jobs, a 1.5% increase over fiscal 1998. Since 1988, Arkansas employment has expanded by 278,700 jobs or at a compounded annual growth rate of 2.9%. The current record level of employment as of October 1999, of 1,199,700 jobs has been accompanied by a decline in the unemployment rate from 5.6% in 1998 to 4.2% in October 1999.

A longer term perspective shows that the unemployment rate fell from 7.8% in 1988, or from 85,900 people in fiscal 1998 to 52,700 in fiscal 1999. In addition, while State employment rose and unemployment fell, the State's population grew by 203,500 persons.

In fiscal 1999, real output of final goods and services, totaled $56,043 million, an increase of 3.97% or $2,142 million over fiscal 1998. Real output has grown at an annual compound rate of 3.7% since fiscal 1988.

The measure of real output per payroll employee is an important indicator of a broad-based improvement in the economic well being of the State's workers. Output per payroll employee has climbed from $44,995 in fiscal 1988 to $48,819 in fiscal 1999 as measured by constant 1992 dollars. This amount is 81.0% of the U.S. average up from 77.5% in fiscal 1991. Since fiscal 1988 the compound annual rate of growth of payroll worker productivity is 0.82%. This rate compares favorably to a U.S. growth rate of 0.85% per annum.

In fiscal 1998, average hourly earnings in manufacturing in Arkansas reached $11.11 an hour, up from $10.78 in fiscal 1997. Wages are now 82.4% of the national average of $13.49, up from 79.2% in fiscal 1988.

Real investment in non-residential plant, buildings, and equipment rose from an annual amount of $3.7 billion in fiscal 1988 to $7.2 billion in fiscal 1999. This is an annual compound rate of growth of 6.8%.

Personal income consists of wages and salaries, dividends, interest, rent and transfer payments such as retirement incomes. Personal income does not include realized capital gains from the sale of assets. Personal income is measured in current dollars and reached a total of $54,171 million in fiscal 1999 up by $2,408 million or 4.7% over fiscal 1998. Since fiscal 1988, personal income has climbed from $28,661 million at a compound annual growth rate of 6.3%.

Real disposable income has expanded every year from the fiscal 1988 level of $30,128 million to the fiscal 1999 level of $41,395 million at a compound annual growth rate of 3.23%.

Per capita income has grown from $12,229 in fiscal 1988 to $21,187 in fiscal 1999, for a compound annual growth rate of 5.45%. During this time, the State's population has increased from 2,343,700 to 2,557,000, an increase of 213,300 persons or an annual rate of growth of 0.84%. In addition, the State's share of U.S. per capita income rose from 74.1% in fiscal 1988 to 77.4% in fiscal 1999. The gap reflects differences in output per worker as well as differences in the cost of living and taxation levels.

Retail sales have risen from $13.94 billion in fiscal 1988 to $24.13 billion in fiscal 1999 for a compound annual growth rate of 5.6%.

## MAJOR INITIATIVES

### Highways and Transportation

The Governor established the need for an improved and well-maintained transportation infrastructure as vital to Arkansas' growth and prosperity. Working with the Legislature, the Governor signed Act 1028 of 1999 which provides for increases in diesel fuel and gasoline taxes over a period of years. The money will fund improvements to interstate highways and provide an accelerated completion schedule for the 1991 highway improvement program to improve other secondary roads. Act 1027 of 1999 allowed the Governor to call a special election to refer to the voters a bond issue to finance repair of the interstate highway system, which is ranked as one of the worst in the nation. The bonds will be repaid using future federal funds earmarked for interstates, the money from the diesel fuel tax increase in Act 1028, and state matching funds set aside to match federal turnback funds. Voters approved the bond issue in a statewide election held on June 15, 1999.

**Tax Reform and Tax Relief**

Actions of the 82nd General Assembly and the Governor resulted in significant accomplishments in tax reform and tax relief. Property tax refunds were increased, a Property Taxpayers' Bill of Rights was established, a law was passed requiring a county assessor to give notice to a property owner at least 45 days before a reappraisal, as well as a host of other property tax reform measures. Act 1185 of 1999 requires each county to institute a system of regular revaluation of all real estate. The revaluation efforts will be funded by the State. Counties have the option to conduct their own revaluation programs or contract the work to private firms. In either case, counties must adhere to new standards that ensure fairness and equity. Any assessment increases resulting from the revaluation efforts will be phased in over three years.

Several measures passed and signed by the Governor provided for income tax reform and relief, in particular to encourage saving and provide relief through changes in dependent tax credits and the state income tax credit for household and dependent care. Finally, Act 1005 of 1999 excludes the first 30% of a capital gain from the state individual income tax.

**STAR System**

**STAR** stands for **ST**reamline **A**uto **R**enewal. STAR is an easy way for Arkansas residents to renew motor vehicle registrations any time of the day or night from the comfort of their own home. Using the internet or a touch tone telephone, the system is available 7 days a week, 24 hours a day with the exception of the period of time between 11:50 PM to 12:10 AM.

All county assessors and collectors are provided with a method of reporting taxpayer's assessments and tax payments on-line in the STAR system. Insurance companies also report all vehicles insured to the State. This allows the State to create a shared database that includes assessment and tax collection information as well as vehicle insurance records.

An Arkansas taxpayer can enter a Revenue Office without taking proof of assessment, tax payment, and proof of liability insurance on their vehicle and process the auto renewal.

**Education**

The Governor proposed far reaching legislation in the area of Education that was passed during the 82nd General Assembly. Funding for the Smart Start Initiative was included in the budget for the Department of Education. Legislation was passed to allow for creation of charter schools by either converting existing schools or starting new ones. Repeal of unnecessary laws and changes in existing laws which will enhance the ability to administer effective programs in education were also passed. Legislation was also passed which provides for the first time, financial rewards for teachers who receive national certification.

Proposals passed during this session will have long lasting effects for higher education. Act 858 of 1999 raises the family income limit on the Academic Challenge Scholarship Program. This will allow more students to attend college and will encourage Arkansans to attend college in-state. Act 1158 of 1999 requires the Workforce Education and Career Opportunities Board to develop a performance-based accountability system for post-secondary and technical institutions. Act 652 of 1999 establishes the Arkansas Technical Careers Loan Forgiveness Program to assist students who will fill special needs areas in the technical skill fields.

**Economic Development**

In an increasingly competitive environment for economic development that includes nationwide competition for high paying jobs, Arkansas' economic development efforts have been retooled and refocused with remarkable results for the future of the State. Act 995 of 1999 amends the Manufacturers Investment Tax Credit Act of 1985 to expand eligibility to include businesses engaged in a variety of services. Income tax credits were passed for eligible businesses undertaking large capital investment or job-creation projects, and for companies purchasing or constructing a facility that designs, develops or produces electric vehicles or the fuel cells that power them. Another program, established by Act 448 of 1999, creates a two-year pilot program operated by the Department of Economic Development that makes participation loans in amounts from $5,000 to $80,000 to small business owners in the state.

**Law Enforcement, Criminal Justice, and Juvenile Justice Reform**

Government's most basic role is to keep our communities safe. The March 1998 shootings at Westside Middle School near Jonesboro and problems with the juvenile justice system prompted the Governor to propose legislation passed by the 82nd General Assembly. Act 1192 of 1999 authorizes juvenile judges to impose adult sanctions on offenders younger than 13 if convicted of capital or first-degree murder and judged competent to stand trial. It also allows 14 and 15 year olds convicted of a violent crime to receive adult sanctions. Significant funds were provided the Department of Human Services - Division of Youth Services to address adequate facility and equipment needs of supervising young offenders.

Act 565 of 1999 allows, at a prosecutor's request, state Crime Lab analysts to testify in court by two-way closed-circuit or satellite-transmitted television. Legislation was passed to address a plan for a statewide radio system. A group of representatives from various state agencies will make recommendations to the Governor and the Legislative Joint Committee on Advanced Communications and Information Technology by March 31, 2000. To add to the State's infrastructure for training law enforcement officers, Act 688 of 1999 authorizes construction of the Northwest Arkansas satellite training facility. Act 1213 of 1999 provides personnel and equipment for the Western Regional Drug Laboratory.

**Family Issues**

The Administration had clear recommendations in the areas of adoption reform and divorce reform for consideration by the 82nd General Assembly and had great success in passing several significant laws. Compliance with the federal Adoptions and Safe Families Act was accomplished with passage of Act 401 of 1999. Act 704 of 1999 allows judges to require divorcing parents of minors to complete two hours of parenting classes or require them to take part in divorce mediation.

Act 328 of 1999 extends subsidy payments from age 18 to 21 if a child has a documented disability that prevents him from living independently. Act 517 of 1999 amends the guardianship statute to comply with the Adoption and Safe Families Act. It allows any parent who is chronically ill or near death, without surrendering parental rights, to have a standby guardian appointed by the court. Finally, Act 518 of 1999 amends the adoption code to allow foster children to be adopted by their foster parents more quickly when they have been living in the home six months or longer.

**Health and Human Services**

Continuing the progress made in recent years, the Governor recommended passage of Act 849 of 1999, which changed the ARKids First Program from a pilot program to a permanent program. Originally passed in 1997, ARKids First provides preventive health care insurance to the children of those making up to 200% of the poverty level. There are more than 38,000 children already insured through the program. Act 1181 of 1999 established a Nursing Home Patients' Bill of Rights.

**Government Efficiency and Anti-Corruption**

Significant strides were made during the 82nd General Assembly toward improvements in government efficiency and anti-corruption legislation. The Governor signed into law several acts addressing these areas. Act 1061 of 1999 authorizes the Department of Finance and Administration to implement the Career Ladder Incentive Program for state employees. This legislation is complemented by passage of Act 222, which allows for a pilot project in performance-based budgeting. A major new project that also will pave the way for implementation of Performance Based Budgeting is authorization of a new statewide integrated information system.

Anti-corruption legislation was passed to protect public employees from retaliation by their employers when an employee has told the appropriate authority about a violation of the law or a waste of public money, property or manpower. Act 34 of 1999 prohibits constitutional officers, legislators and their spouses from receiving employment during and two years after their term in office. It prohibits job enhancement if the constitutional officer, legislator or spouse has a state job prior to the term in office. It also restricts constitutional officers, legislators and their spouses from entering into contracts and lease agreements or receiving grants unless the contract, lease or grant involves a competitive bid.

**Military and Veterans Affairs**

Act 270 of 1999 approves and provides an appropriation for construction of a State Veterans Cemetery on 75 acres donated by Camp Robinson. The State will loan $500,000 to open the cemetery, and the federal government will repay those funds.

**Electric Deregulation**

Act 1556 of 1999 establishes the framework for a transition to competition in the electric industry. It will deregulate the sale of electricity generated between January 2002 and June 2003. It contains guidelines for how a utility's stranded costs are to be determined, requires that all reasonable cost mitigation measures be implemented, requires any utility's over-earnings to be used as an offset to stranded costs and allows the Public Service Commission discretion in every phase of the stranded-cost proceedings. The bill provides for a rate freeze for residential and small business customers for up to three years and continued rate regulation for customers who don't choose alternate energy suppliers.

**FINANCIAL MANAGEMENT**

The financial statements of the State are prepared in accordance with generally accepted accounting principles ("GAAP") which requires that specific fund types be used on the combined balance sheet.

There are four categories of funds. The first category is the governmental fund. The general fund is used to account for all general government activities not accounted for in another fund and is the only governmental fund currently in use.

The proprietary fund is used to account for activities similar to the private sector, where the determination of net income is necessary or useful for sound financial administration. A component of the proprietary fund is the enterprise fund which provides goods and services to outside parties.

The fiduciary fund is used to account for assets held on behalf of outside parties or other funds within the government. When assets are held under the terms of a formal trust agreement, a pension trust fund or expendable trust fund is used. The term "expendable" refers to the ability of the governing agent to spend the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

The higher education fund presents the State supported colleges and universities in accordance with the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities*, and guidance as outlined by the National Association of College and University Business Officers and Governmental Accounting Standards Board.

Under GAAP, fund balance represents the excess of assets over liabilities. Therefore, it is possible for fund balance to remain unchanged while cash balances decrease or increase. In addition, certain amounts of fund balances may be reserved or "not spendable."

**Internal Controls**

The management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and that adequate accounting data is compiled to allow the preparation of the financial statements in conformity with GAAP. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements, and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

**Budgetary Control**

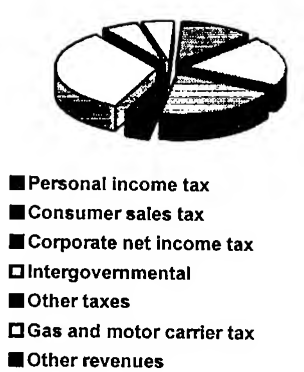
Budgetary control is maintained through legislative appropriation. Agencies submit budgetary requests to the Department of Finance and Administration. The Department of Finance and Administration compiles the executive budget on behalf of the Governor who submits it to the Legislature. The Department of Finance and Administration maintains control over the spending patterns of the State after the approval of the budget through control at the line item level. See Note 2 (Budgetary Basis Reporting – Budgetary Process) for further discussion of budgetary controls.

## General Government Functions

Most State functions are financed through the general fund. The State's most significant sources of revenues in the general fund (GAAP basis) are taxes and intergovernmental. The State's most significant areas of expenditures from the general fund (GAAP basis) are the areas of public and higher education and health and human resources. The following charts present actual general fund (GAAP basis) revenues and expenditures for the fiscal year ended June 30, 1999 (expressed in thousands):

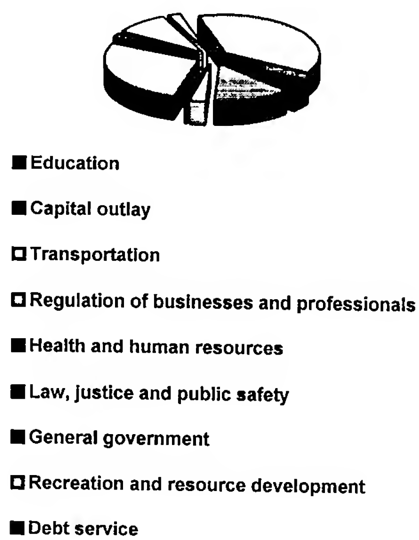
| Revenues | 1999 | 1998 | Increase (Decrease) Percent |
|---|---|---|---|
| Personal income tax | $ 1,625,316 | $ 1,553,778 | 4.60 % |
| Consumer sales tax | 1,560,892 | 1,476,686 | 5.70 % |
| Corporate net income tax | 248,664 | 268,605 | (7.42)% |
| Gas and motor carrier tax | 386,503 | 368,050 | 5.01 % |
| Other taxes | 353,136 | 361,071 | (2.20)% |
| Intergovernmental | 2,459,368 | 2,387,385 | 3.02 % |
| Other revenues | 936,410 | 746,333 | 25.47 % |
| Total | $ 7,570,289 | $ 7,161,908 | 5.70 % |

REVENUE BY SOURCE FOR GENERAL FUND - 1999




EXPENDITURES FROM GENERAL FUND - 1999

| Expenditures | 1999 | 1998 | Increase (Decrease) Percent |
|---|---|---|---|
| Education | $ 1,959,309 | $ 1,883,809 | 4.01 % |
| Health and human resources | 2,614,967 | 2,496,628 | 4.74 % |
| Transportation | 559,572 | 635,188 | (11.90)% |
| Law, justice and public safety | 311,176 | 265,313 | 17.29 % |
| Recreation and resource development | 170,619 | 177,838 | (4.06)% |
| General government | 992,322 | 724,127 | 37.04 % |
| Regulation of businesses and professionals | 139,345 | 121,450 | 14.73 % |
| Debt service | 57,917 | 54,876 | 5.54 % |
| Capital outlay | 120,525 | 110,988 | 8.59 % |
| Total | $ 6,925,752 | $ 6,470,217 | 7.00 % |




Governmental revenues increased modestly by 5.70%, reflecting additional personal income tax revenue and consumer sales tax revenue of $71.5 million and $84.2 million, respectively. Intergovernmental revenues increased by $72 million due to increased fundings from the federal government for the Medicaid program. Consumer sales tax increased due to the strong economic growth of the State including an increase in personal income of approximately 4.8% over the prior year.

Expenditures increased in fiscal year 1999 by 7.00% as the demand for governmental services rose consistently with the increase in revenues. The principal reasons for the increase is due primarily to increases in health and human resources and general government expenditures.

**Proprietary and Fiduciary Funds**

The State's enterprise operations include the Workers' Compensation Commission, the Construction Assistance Revolving Loan Fund, and Other Revolving Loan Funds. Since it is the intent of these programs to primarily recover operating costs (including depreciation) through user charges, they utilize an accrual basis of accounting with a measurement focus on the flow of economic resources.

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. These include the expendable trust, pension trust and agency funds. Trust funds are established through trust agreements specifying how the funds will operate. Agency funds are custodial in nature and do not report fund balances. The trust funds include the Employment Security Division, Arkansas Judicial Retirement Plan, Arkansas Teacher Retirement Plan, Arkansas State Police Retirement Plan, Arkansas Highway Retirement Plan and Arkansas State Employees Retirement Plan. Agency funds include the State Insurance Department and Other Agencies.

**Component Units**

The component units include the accounts of Arkansas Student Loan Authority and Arkansas Development Finance Authority. These authorities are legally separate entities that are not operating departments of the State and are managed independently with their powers generally vested in a governing board. Each authority is established for a specific purpose, such as education and economic development.

Combined operating revenues and expenses for the State's authorities amounted to approximately $99 million and $124 million, respectively, for fiscal year 1999. The total combined amount of retained earnings at fiscal year end was $134 million.

**Debt Administration**

The Constitution of the State of Arkansas does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or special election held for that purpose. The total outstanding general obligation bonded indebtedness, including special obligation and other debt instruments, of the governmental fund types of the State as of June 30, 1999, was approximately $399 million. Arkansas currently has a rating of Aa3 from Moody's Investors Service and a rating of AA from Standard and Poors.

**Cash Management**

State funds are invested by the Treasurer and also by various state agencies, including the retirement systems and institutions of higher education. Permissible investments include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government Obligations); repurchase agreements; corporate debt and equity obligations; and state and local government securities.

**Risk Management**

The State manages risk with a combination of self-insurance and commercial policies. The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies.

The State also established the State Employees Insurance Advisory Committee (the "Committee") by Act 48 of 1972 and allowed the Committee to pursue self-funding activities by Act 576 of 1975. The Committee provides comprehensive major medical care, prescription drug and life insurance for employees of the State and its participating component units, as well as their dependents, through the establishment of a variety of self-insured plans. The Committee also makes medical coverage available to retirees should they elect to continue such coverage at their own expense.

**Year 2000**

The State has adopted the provisions of Governmental Accounting Standards Board Technical Bulletin 99-1, *Disclosures about Year 2000 Issues - an amendment of Technical Bulletin 98-1*, which mandate certain Year 2000 disclosures either in the notes to the financial statements or in required supplementary information following the notes. The State has included such disclosures as required supplementary information following the notes to the general purpose financial statements. The State also established a website (http://www.dis.state.ar.us/y2k/y2kintro.htm) that discusses progress to date on the State of Arkansas Year 2000 Project.

**Audit**

The firm of Deloitte & Touche LLP performed the audit for the fiscal year ended June 30, 1999. Generally accepted auditing standards were used by the auditors in conducting the engagement. The auditors' report on the general purpose financial statements is included in the financial section of this report.

**Awards**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arkansas for its Comprehensive Annual Financial Reports for the fiscal year ended June 30, 1998. This was the third consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments**

Recognition for the leadership of accurate and timely financial reporting lies with Governor Mike Huckabee. He has made fiscal responsibility a high priority in his administration and his leadership has been crucial to the project's success. Governor Huckabee believes that this project will provide overall improvements in government accountability. It will save the State interest expense by providing market analysts, potential investors and others with complete, comparable financial information. It will provide the Legislature and others in key positions that require them to make financial decisions with clear, concise and complete financial data that is free of ambiguities or any misleading facts. The Governor's commitment to this project, especially his support of continued funding, demonstrates his firm belief in our continuing progress.

This report also would not be possible without the support of all state agencies that provided GAAP closing data on a timely basis. The future success of this project directly depends upon their continued cooperation and support as well.

Sincerely,

Dick Barclay
Director
Department of Finance and Administration

GREAT SEAL OF THE STATE OF ARKANSAS

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Arkansas

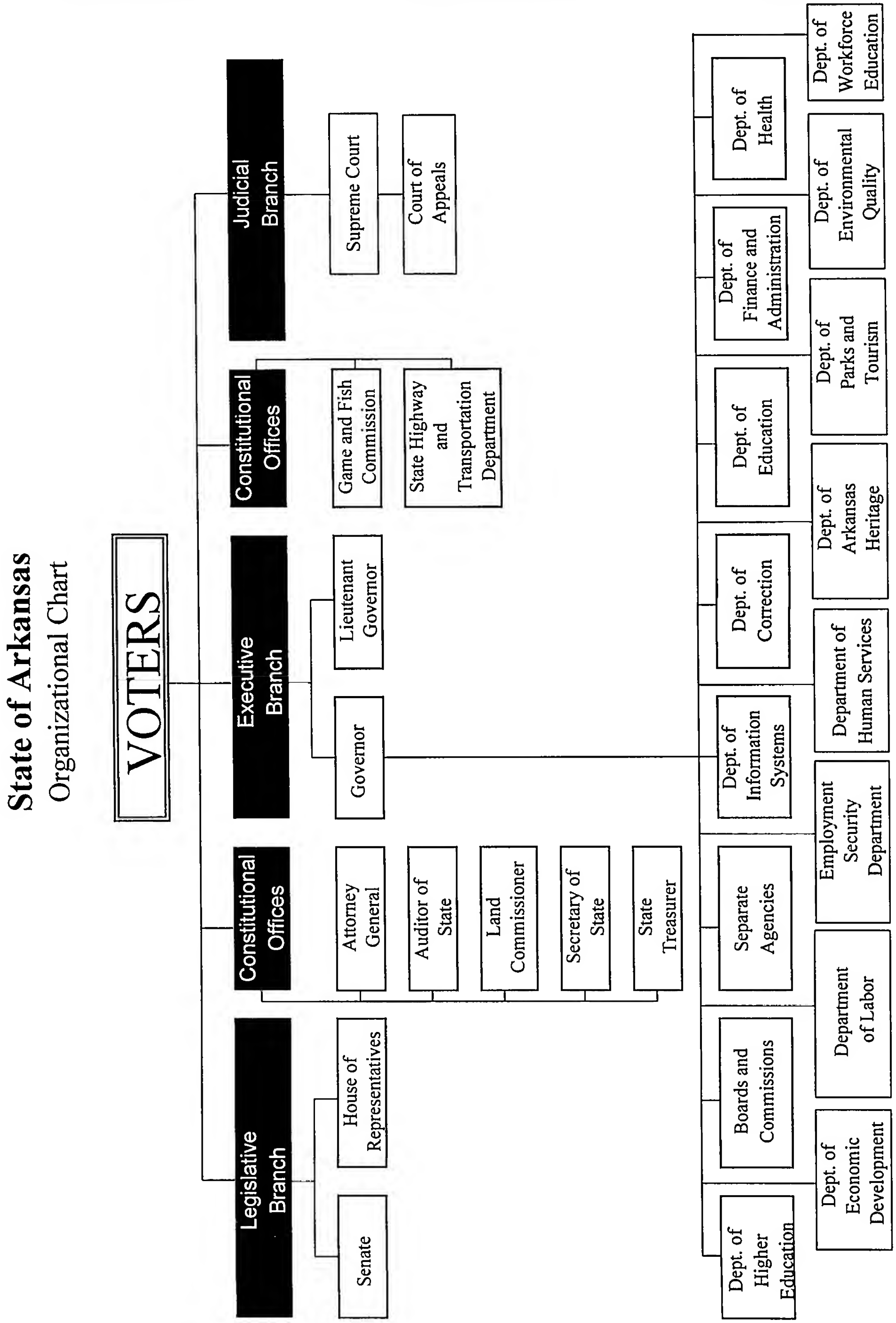
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1998

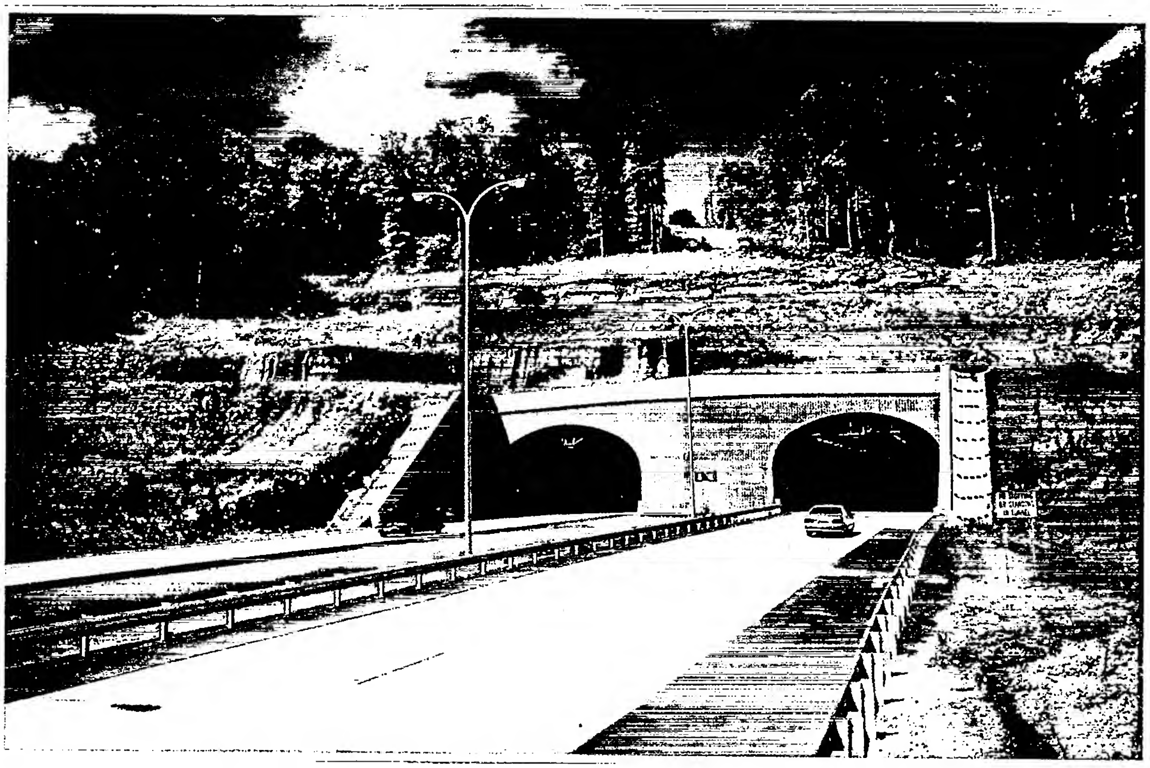
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director


State of Arkansas
Organizational Chart
VOTERS
Legislative Branch
Senate
House of Representatives
Constitutional Offices
Attorney General
Auditor of State
Land Commissioner
Secretary of State
State Treasurer
Executive Branch
Governor
Lieutenant Governor
Constitutional Offices
Game and Fish Commission
State Highway and Transportation Department
Judicial Branch
Supreme Court
Court of Appeals
Dept. of Higher Education
Boards and Commissions
Separate Agencies
Dept. of Information Systems
Dept. of Correction
Dept. of Education
Dept. of Finance and Administration
Dept. of Health
Dept. of Economic Development
Department of Labor
Employment Security Department
Department of Human Services
Dept. of Arkansas Heritage
Dept. of Parks and Tourism
Dept. of Environmental Quality
Dept. of Workforce Education



**I-540 – Washington County**

Completion of I-540 from Alma to Fayetteville, including the Bobby Hopper Tunnel near Winslow, was a major milestone in 1999. This view is of the south portal of the tunnels looking north.


GREAT SEAL OF THE STATE OF ARKANSAS
POPULUS
JUSTICE

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mike Huckabee, Governor
of the State of Arkansas

We have audited the accompanying general purpose financial statements of the State of Arkansas (the "State"), as of June 30, 1999, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the State. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Arkansas Student Loan Authority, which reflect total assets of $236 million as of June 30, 1999, and total revenues of $17.2 million for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

As more fully discussed in Note 6, management of the State has restated certain June 30, 1998, fund equity balances for a correction of prior year amounts related to the reporting of revolving loan fund programs.

The year 2000 supplementary information on pages 71-73 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been

established. In addition, we do not provide assurance that the State is or will become year 2000 compliant, that the State's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State does business are or will become year 2000 compliant.

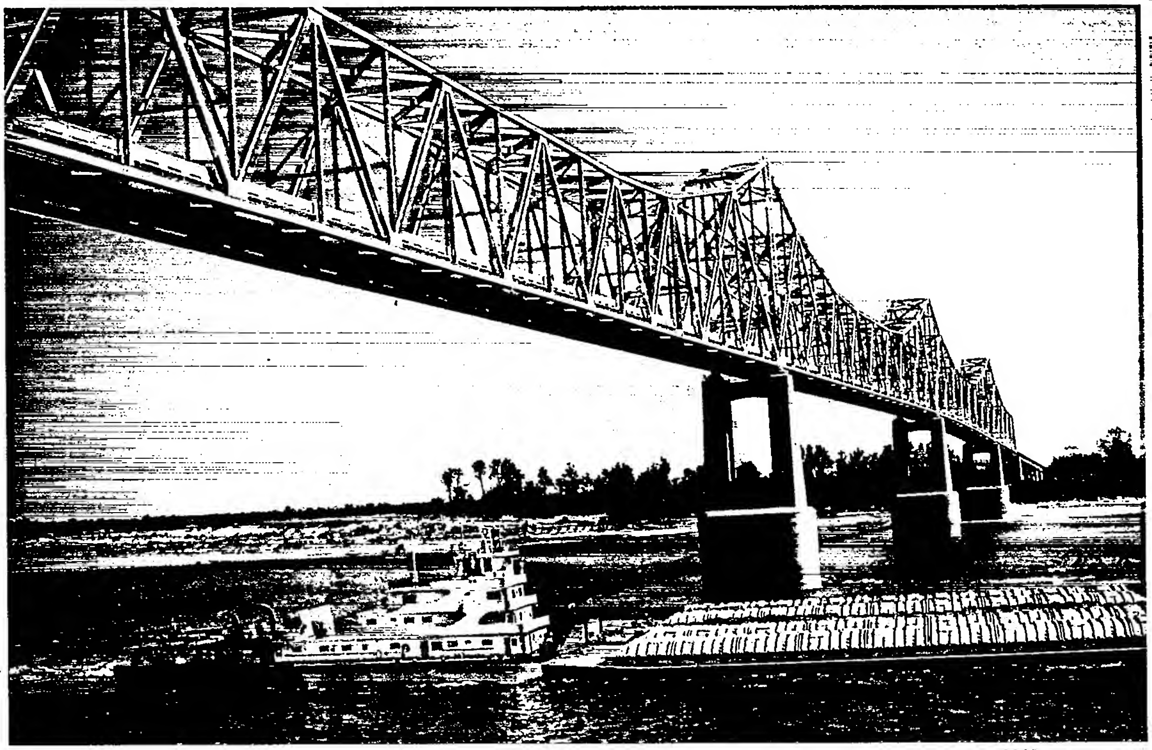
Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules, as listed in the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State. These financial statements and schedules are also the responsibility of the management of the State. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

The introductory and statistical data listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

November 10, 1999

# General Purpose Financial Statements



**Highway 49 – Helena**

The Highway 49 bridge crossing the Mississippi River at Helena provides the only river crossing between Memphis to the north and Greenville, Mississippi to the south.

## Combined Balance Sheet
## All Fund Types, Account Groups and Component Units
**June 30, 1999**
**(Expressed in Thousands)**

| | Governmental Fund Type | Proprietary Fund Type | Fiduciary Fund Type |
|---|---|---|---|
| | General | Enterprise | Trust and Agency |
| **ASSETS AND OTHER DEBITS:** | | | |
| Cash and cash equivalents | $1,142,733 | $197,400 | $ 988,020 |
| Investments | 302,955 | 31,304 | 13,584,354 |
| Receivables, net: | | | |
| Accounts | 47,189 | 10,004 | 48,515 |
| Taxes | 280,949 | | |
| Employer | | | 9,062 |
| Employee | | | 5,369 |
| Notes and deposits | 37,595 | | |
| Medicaid | 136,510 | | |
| Loans | 126,774 | 171,175 | |
| Investment related | 12,705 | 2,539 | 279,660 |
| Due from other governments | 32,416 | | 5,801 |
| Due from other funds - primary government | 949 | | 229 |
| Due from other funds - higher education | | | |
| Advances to other funds - primary government | 16,430 | | 22,923 |
| Inventories | 29,352 | | |
| Fixed assets, net | | 2,492 | 950 |
| Other assets | | 13,334 | 8 |
| Amount available for debt service | | | |
| Amount to be provided for debt retirement | | | |
| TOTAL ASSETS AND OTHER DEBITS | $2,166,557 | $428,248 | $ 14,944,891 |
| **LIABILITIES, EQUITY AND OTHER CREDITS:** | | | |
| Liabilities: | | | |
| Accounts payable | $ 54,185 | $ 2,552 | $ 483 |
| Accrued and other liabilities | 70,244 | 13,887 | 1,723,702 |
| Deferred revenues | | 3,892 | |
| Due to other governments | 82,268 | | 61 |
| Due to other funds - primary government | 4,251 | | 93 |
| Due to other funds - higher education | | | |
| Advances from other funds - primary government | 22,923 | | |
| Workers' compensation benefits payable | | 168,120 | |
| Medicaid claims payable | 166,889 | | |
| Tax refunds and abatements payable | 66,933 | | |
| Claims and judgments payable | 9,071 | | |
| Agency liabilities | | | 478,457 |
| Capital leases | | 2,036 | |
| Notes payable | | | |
| Revenue bonds payable | | | |
| Special obligation bonds payable | | 118,058 | |
| General long-term debt payable | | | |
| Total Liabilities | 476,764 | 308,545 | 2,202,796 |
| Equity (deficit) and other credits: | | | |
| Investment in fixed assets | | | |
| Retained earnings (deficit) - unreserved | | (6,807) | |
| Retained earnings - reserved for bond programs | | | |
| Contributed capital | | 126,510 | |
| Fund balances: | | | |
| Reserved: | | | |
| Loans | 126,774 | | |
| Advances to other funds | 16,430 | | |
| Inventory | 29,352 | | |
| Capital projects | 85,339 | | |
| Higher education | | | |
| Unemployment compensation | | | 248,872 |
| Net assets held in trust for pension benefits | | | 12,493,223 |
| Debt service | 24,521 | | |
| Unreserved: | | | |
| Designated | 1,407,377 | | |
| Undesignated | | | |
| Total Equity and Other Credits | 1,689,793 | 119,703 | 12,742,095 |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | $2,166,557 | $428,248 | $ 14,944,891 |

The accompanying notes are an integral part of the financial statements.

| Higher Education Fund Type | Account Groups | | Total Primary Government | |
|---|---|---|---|---|
| Colleges and Universities | Fixed Assets | Long-Term Debt | (Memorandum Only) | Component Units |
| $ 415,573 | | | $ 2,743,726 | $ 155,938 |
| 544,996 | | | 14,463,609 | 921,221 |
| 142,471 | | | 248,179 | 3,703 |
| | | | 280,949 | |
| | | | 9,062 | |
| | | | 5,369 | |
| 44,944 | | | 82,539 | |
| | | | 136,510 | |
| | | | 297,949 | 604,645 |
| 2,115 | | | 297,019 | 11,979 |
| | | | 38,217 | |
| 4,022 | | | 5,200 | |
| 13,879 | | | 13,879 | |
| | | | 39,353 | |
| 16,680 | | | 46,032 | |
| 2,120,636 | $1,085,490 | | 3,209,568 | 495 |
| 13,751 | | | 27,093 | 95,380 |
| | | $ 24,521 | 24,521 | |
| | | 658,349 | 658,349 | |
| $ 3,319,067 | $1,085,490 | $682,870 | $22,627,123 | $1,793,361 |
| | | | | |
| $ 65,297 | | | $ 122,517 | $ 6,509 |
| 350,641 | | | 2,158,474 | 56,623 |
| 13,555 | | | 17,447 | |
| | | | 82,329 | |
| 856 | | | 5,200 | |
| 13,879 | | | 13,879 | |
| 16,430 | | | 39,353 | |
| | | | 168,120 | |
| | | | 166,889 | |
| | | | 66,933 | |
| | | | 9,071 | |
| | | | 478,457 | |
| 5,826 | | | 7,862 | |
| 12,188 | | | 12,188 | |
| 418,921 | | | 418,921 | 219,781 |
| | | | 118,058 | 1,376,337 |
| | | $682,870 | 682,870 | |
| 897,593 | | 682,870 | 4,568,568 | 1,659,250 |
| | | | | |
| 1,759,375 | $1,085,490 | | 2,844,865 | |
| | | | (6,807) | 52,804 |
| | | | | 81,307 |
| | | | 126,510 | |
| | | | | |
| | | | 126,774 | |
| | | | 16,430 | |
| | | | 29,352 | |
| | | | 85,339 | |
| 375,264 | | | 375,264 | |
| | | | 248,872 | |
| | | | 12,493,223 | |
| | | | | |
| | | | 1,431,805 | |
| 286,835 | | | 286,835 | |
| 2,421,474 | 1,085,490 | | 18,058,462 | 134,111 |
| $ 3,319,067 | $1,085,490 | $682,870 | $22,627,123 | $1,793,361 |

# Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund

### For the Fiscal Year Ended June 30, 1999
### (Expressed in Thousands)

| | Governmental Fund Type | Fiduciary Fund Type |
|---|---|---|
| | General | Expendable Trust |
| REVENUES: | | |
| Taxes: | | |
| Personal income | $ 1,625,316 | |
| Consumer sales | 1,560,892 | |
| Corporate net income | 248,664 | |
| Gas and motor carrier | 386,503 | |
| Unemployment | | $205,112 |
| Other | 353,136 | |
| Intergovernmental | 2,459,368 | |
| Licenses, permits and fees | 438,174 | |
| Investment earnings | 108,000 | 15,025 |
| Other | 390,236 | |
| Total Revenues | 7,570,289 | 220,137 |
| EXPENDITURES: | | |
| Current: | | |
| Education | 1,959,309 | |
| Health and human resources | 2,614,967 | |
| Transportation | 559,572 | |
| Law, justice and public safety | 311,176 | |
| Recreation and resource development | 170,619 | |
| General government | 992,322 | |
| Regulation of businesses and professionals | 139,345 | 206,759 |
| Debt service | 57,917 | |
| Capital outlay | 120,525 | |
| Total Expenditures | 6,925,752 | 206,759 |
| Excess of revenues over expenditures | 644,537 | |
| OTHER FINANCING SOURCES (USES): | | |
| Proceeds from long-term obligations | 2,115 | |
| Proceeds from capital leases | 326 | |
| Operating transfers in | 162 | |
| Operating transfers out | (606,285) | |
| Total Other Financing Uses | (603,682) | |
| REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 40,855 | 13,378 |
| FUND BALANCE AT BEGINNING OF YEAR | 1,645,100 | 235,494 |
| Decrease in reserve for inventory | 3,838 | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | $ 1,689,793 | $248,872 |

The accompanying notes are an integral part of the financial statements.

# Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual-Variance (Budgetary Basis) General Fund

## For the Fiscal Year Ended June 30, 1999
## (Expressed in Thousands)

| | General Fund | | |
|---|---|---|---|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Taxes: | | | |
| Personal income | $ 1,665,173 | $ 1,665,173 | |
| Consumer sales | 1,560,348 | 1,560,348 | |
| Corporate net income | 271,216 | 271,216 | |
| Gas and motor carrier | 386,319 | 386,319 | |
| Use | 514,629 | 514,629 | |
| Other | 817,069 | 817,069 | |
| Intergovernmental | 2,199,105 | 2,199,105 | |
| Licenses, permits and fees | 432,041 | 432,041 | |
| Investment earnings | 87,853 | 87,853 | |
| Other | 351,331 | 351,331 | |
| Total Revenues | 8,285,084 | 8,285,084 | |
| EXPENDITURES: | | | |
| Current: | | | |
| Education | 2,076,096 | 1,971,155 | $ 104,941 |
| Health and human resources | 2,544,968 | 2,405,735 | 139,233 |
| Transportation | 830,415 | 549,483 | 280,932 |
| Law, justice and public safety | 378,550 | 335,115 | 43,435 |
| Recreation and resource development | 305,056 | 179,643 | 125,413 |
| General government | 4,060,726 | 1,873,528 | 2,187,198 |
| Regulation of businesses and professionals | 169,558 | 109,366 | 60,192 |
| Debt service | 43,050 | 35,967 | 7,083 |
| Capital outlay | 281,935 | 115,544 | 166,391 |
| Total Expenditures | 10,690,354 | 7,575,536 | 3,114,818 |
| Excess of revenues over (under) expenditures | (2,405,270) | 709,548 | 3,114,818 |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating transfers in | 7,924,093 | 7,924,093 | |
| Operating transfers out | (8,527,932) | (8,527,932) | |
| Total Other Financing Uses | (603,839) | (603,839) | |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (3,009,109) | 105,709 | 3,114,818 |
| FUND BALANCE AT BEGINNING OF YEAR | 1,645,100 | 1,645,100 | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | $ (1,364,009) | $ 1,750,809 | $ 3,114,818 |

The accompanying notes are an integral part of the financial statements.

# Combined Statement of Revenues, Expenses and Changes in Retained Earnings Proprietary Fund Type and Discretely Presented Component Units

**For the Fiscal Year Ended June 30, 1999**
**(Expressed in Thousands)**

| | Proprietary Fund Type | Component Units |
|---|---|---|
| | Enterprise | Proprietary Fund |
| OPERATING REVENUES: | | |
| Licenses, permits and fees | $ 7,888 | |
| Investment earnings | 8,996 | $ 97,524 |
| Insurance tax | 11,100 | |
| Other | 1,772 | 1,180 |
| Total Operating Revenues | 29,756 | 98,704 |
| OPERATING EXPENSES: | | |
| General and administrative | 30,715 | 19,317 |
| Interest | 5,629 | 100,815 |
| Depreciation | 210 | |
| Amortization | 259 | |
| Other | | 3,919 |
| Total Operating Expenses | 36,813 | 124,051 |
| Operating Loss | (7,057) | (25,347) |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Grants, entitlements and shared revenues | | 17,182 |
| Investment earnings | 6,865 | |
| Interest | (135) | |
| Total Non-Operating Revenue | 6,730 | 17,182 |
| Loss Before Operating Transfers | (327) | (8,165) |
| OPERATING TRANSFERS - | | |
| Operating transfers out | (162) | |
| NET LOSS | (489) | (8,165) |
| RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR, AS ADJUSTED (Note 6) | (6,318) | 142,276 |
| RETAINED EARNINGS (DEFICIT) AT END OF YEAR | $ (6,807) | $ 134,111 |

The accompanying notes are an integral part of the financial statements.

# Combined Statement of Cash Flows
## Proprietary Fund Type and Discretely Presented Component Units
### For the Fiscal Year Ended June 30, 1999
### (Expressed in Thousands)

| | Proprietary Fund Type | Component Units |
|---|---|---|
| | Enterprise | Proprietary Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating loss | $ (7,057) | $ (25,347) |
| Adjustments to reconcile operating loss to cash provided by operating activities: | | |
| Depreciation, accretion and amortization, net | 533 | (4,100) |
| Provision for arbitrage rebate | | 600 |
| Net depreciation on investments | | 24,508 |
| Provision for loan loss | | 380 |
| Loss on disposal of assets | 257 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,115 | 5,679 |
| Loans receivable | | 78,513 |
| Investment related receivable | (106) | (2,921) |
| Other assets | (399) | 245 |
| Accounts payable and accrued expenses | 579 | (47,753) |
| Workers' compensation benefits payable | 8,384 | |
| Other liabilities | (475) | (1,318) |
| Net Cash Provided by Operating Activities | 2,831 | 28,486 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Operating transfers out to other funds | (162) | |
| Proceeds from issuance of bonds | | 337,816 |
| Repayment of bonds | | (361,371) |
| Payment of debt issuance costs | | (2,305) |
| Collection of financing fees | | 1,250 |
| Interest expense | (134) | |
| Net Cash Used by Non-capital Financing Activities | (296) | (24,610) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Proceeds from issuance of bonds | 19,810 | |
| Repayment of bonds | (3,155) | |
| Proceeds from grants, entitlements, and shared revenues | 6,075 | 17,182 |
| Capital lease obligation | (105) | |
| Acquisition of capital assets | (205) | |
| Net Cash Provided for Capital and Related Financing Activities | 22,420 | 17,182 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (19,240) | (990,105) |
| Investment earnings | 6,864 | |
| Proceeds from sales and maturities of investments | 2,776 | 911,519 |
| Net increase in loans receivable | (228) | |
| Lease payment received | | 9,825 |
| Net Cash Used by Investing Activities | (9,828) | (68,761) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 15,127 | (47,703) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 182,273 | 203,641 |
| End of year | $197,400 | $ 155,938 |

The accompanying notes are an integral part of the financial statements.

# Combined Statement of Changes in Plan Net Assets Held in Trust for Pension Benefits
# Pension Trust Funds

**For the Fiscal Year Ended June 30, 1999**
**(Expressed in Thousands)**

| | Fiduciary Fund Type |
|---|---|
| | Pension Trust |
| ADDITIONS: | |
| Contributions: | |
| Employer | $ 285,425 |
| Employee | 58,905 |
| Total Contributions | 344,330 |
| Investment income: | |
| Net appreciation in fair value of investments | 906,725 |
| Interest | 254,160 |
| Dividends | 82,101 |
| Real estate operating income | 1,830 |
| Other | 57,838 |
| Less investment expense | (85,805) |
| Net Investment Income | 1,216,849 |
| Other additions - | |
| Miscellaneous revenues | 9,419 |
| TOTAL ADDITIONS | 1,570,598 |
| DEDUCTIONS: | |
| Annuity benefits | 381,867 |
| Refunds of employee contributions | 4,755 |
| Administrative expenses | 11,237 |
| Other deductions | 5,056 |
| TOTAL DEDUCTIONS | 402,915 |
| NET INCREASE | 1,167,683 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR | 11,325,540 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR | $12,493,223 |

The accompanying notes are an integral part of the financial statements.


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Combined Statement of Changes in Fund Balances
# Higher Education Fund Type

### For the Fiscal Year Ended June 30, 1999
### (Expressed in Thousands)

| | Current Funds | | | |
|---|---|---|---|---|
| | Unrestricted | Restricted | Loan | Endowment and Similar |
| REVENUES AND OTHER ADDITIONS: | | | | |
| Unrestricted current fund revenues | $ 340,683 | | | |
| Auxiliary enterprises, hospitals and clinics | 547,419 | | | |
| Endowment income | | | $ 184 | |
| Gifts and grants | 6,985 | $ 289,117 | 845 | $ 436 |
| Investment earnings | 979 | 571 | 1,301 | 11,735 |
| Additions to plant facilities | | | | |
| Retirement of indebtedness | | | | |
| Bond proceeds | | | | |
| Other additions | 223 | 698 | 1,112 | 147 |
| Total Revenues and Other Additions | 896,289 | 290,386 | 3,442 | 12,318 |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | | |
| Education and general | 865,469 | 285,864 | | |
| Auxiliary enterprises, hospitals and clinics | 520,150 | 461 | | |
| Loan cancellations and write-offs | | | 1,522 | |
| Indirect cost recoveries | | 4,217 | | |
| Administration expenses | | | 317 | 86 |
| Refunded to grantors | | 26 | 37 | |
| Retirement of indebtedness | | | | |
| Expended for plant facilities | | | | |
| Interest expense | | | | |
| Issuance of bonds | | | | |
| Disposal of plant facilities | | | | |
| Other | | | 133 | 1,083 |
| Total Expenditures and Other Deductions | 1,385,619 | 290,568 | 2,009 | 1,169 |
| TRANSFERS AND OTHER ADDITIONS/(DEDUCTIONS): | | | | |
| Mandatory: | | | | |
| Principal and interest | (28,838) | (767) | 3 | (42) |
| Matching contribution | (455) | 164 | 291 | |
| Renewals and replacements | (2,293) | | | |
| Other mandatory transfers | (13,197) | 483 | 72 | (599) |
| Non-Mandatory: | | | | |
| Unexpended plant funds | (799) | | | 50 |
| Renewals and replacements | (5,348) | (114) | (19) | |
| Retirement of indebtedness | (126) | | | |
| Other | (5,310) | 887 | 47 | 183 |
| Operating transfers in - primary government | 537,639 | 9,778 | 535 | |
| Total Transfers and Other Additions/(Deductions) | 481,273 | 10,431 | 929 | (408) |
| NET INCREASE (DECREASE) FOR THE YEAR | (8,057) | 10,249 | 2,362 | 10,741 |
| FUND BALANCE AT BEGINNING OF THE YEAR | 197,605 | 36,114 | 48,457 | 110,835 |
| FUND BALANCE AT END OF THE YEAR | $ 189,548 | $ 46,363 | $50,819 | $121,576 |

The accompanying notes are an integral part of the financial statements.

| Plant Funds | Total |
|---|---|
| | $ 340,683 |
| | 547,419 |
| | 184 |
| $ 43,069 | 340,452 |
| 8,505 | 23,091 |
| 244,156 | 244,156 |
| 21,351 | 21,351 |
| 54,395 | 54,395 |
| 27,059 | 29,239 |
| 398,535 | 1,600,970 |
| | 1,151,333 |
| | 520,611 |
| | 1,522 |
| | 4,217 |
| 1,672 | 2,075 |
| 805 | 868 |
| 29,585 | 29,585 |
| 188,287 | 188,287 |
| 12,677 | 12,677 |
| 51,759 | 51,759 |
| 22,249 | 22,249 |
| 17,871 | 19,087 |
| 324,905 | 2,004,270 |
| 29,644 | |
| 2,293 | |
| 13,241 | |
| 749 | |
| 5,481 | |
| 126 | |
| 4,193 | |
| 58,333 | 606,285 |
| 114,060 | 606,285 |
| 187,690 | 202,985 |
| 1,825,478 | 2,218,489 |
| $2,013,168 | $2,421,474 |

# Combined Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes in Fund Balances Higher Education Fund Type

## For the Fiscal Year Ended June 30, 1999 (Expressed in Thousands)

| | Current Funds | | |
|---|---|---|---|
| | Unrestricted | Restricted | Total |
| REVENUES: | | | |
| Tuition and fees | $211,003 | | $ 211,003 |
| Federal appropriations | 31 | $ 15,236 | 15,267 |
| Endowment income | 697 | 1,257 | 1,954 |
| Federal grants and contracts | 3,290 | 160,104 | 163,394 |
| State and local grants and contracts | 3,684 | 52,072 | 55,756 |
| Private gifts, grants and contracts | 9,010 | 47,668 | 56,678 |
| Investment earnings | 1,709 | 7 | 1,716 |
| Sales and services of educational facilities | 45,042 | 808 | 45,850 |
| Sales and services of auxiliary enterprises and hospitals | 547,419 | 315 | 547,734 |
| Insurance | 51,994 | | 51,994 |
| Other sources | 22,410 | 8,397 | 30,807 |
| Total Current Revenues | 896,289 | 285,864 | 1,182,153 |
| EXPENDITURES AND MANDATORY TRANSFERS: | | | |
| Educational and General: | | | |
| Instruction | 378,304 | 38,480 | 416,784 |
| Research | 45,080 | 64,796 | 109,876 |
| Public service | 38,187 | 35,866 | 74,053 |
| Academic support | 68,850 | 11,943 | 80,793 |
| Student services | 39,519 | 7,835 | 47,354 |
| Institutional support | 115,267 | 1,388 | 116,655 |
| Operation and maintenance of plant | 76,417 | 1,167 | 77,584 |
| Scholarships and awards | 43,256 | 117,425 | 160,681 |
| Insurance activity | 57,896 | | 57,896 |
| Other expenditures | 2,693 | 6,964 | 9,657 |
| Educational and General Expenditures | 865,469 | 285,864 | 1,151,333 |
| Mandatory Transfers for: | | | |
| Principal and interest | 19,328 | 503 | 19,831 |
| Matching requirements | 455 | (164) | 291 |
| Renewals and replacements | 1,575 | | 1,575 |
| Other mandatory transfers | 13,197 | (483) | 12,714 |
| Total Educational | 900,024 | 285,720 | 1,185,744 |
| Auxiliary Enterprises and Hospitals: | | | |
| Expenditures | 520,150 | 461 | 520,611 |
| Mandatory transfers for: | | | |
| Principal and interest | 9,510 | 264 | 9,774 |
| Renewals and replacements | 718 | | 718 |
| Total Auxiliary Enterprises and Hospitals | 530,378 | 725 | 531,103 |
| Operating Transfers In - Primary Government | 537,639 | 9,778 | 547,417 |
| Total Expenditures and Mandatory Transfers | 892,763 | 276,667 | 1,169,430 |
| OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS): | | | |
| Educational and General Non-Mandatory Transfers for: | | | |
| Unexpended plant | (799) | | (799) |
| Renewals and replacements | (5,348) | (114) | (5,462) |
| Retirement of indebtedness | (126) | | (126) |
| Other non-mandatory transfers | (5,310) | 887 | (4,423) |
| Excess of Restricted Receipts Over Transfers to Revenues | | 279 | 279 |
| NET INCREASE (DECREASE) IN FUND BALANCES | $ (8,057) | $ 10,249 | $ 2,192 |

The accompanying notes are an integral part of the financial statements.

# Notes to the General Purpose Financial Statements

**For the Fiscal Year Ended June 30, 1999**

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation*** - The accompanying general purpose financial statements of the State of Arkansas (the "State") conform with generally accepted accounting principles ("GAAP") for governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for governmental accounting and financial reporting. In addition, GAAP requires that the State's proprietary activities apply GAAP as it is applied by similar business activities in the private sector. The financial statements of the State's colleges and universities have been prepared in accordance with the accounting guidance as outlined in the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities,* the *College and University Business Administration*, published by the National Association of College and University Business Officers ("NACUBO"), and pronouncements issued by the GASB.

The general purpose financial statements have been prepared primarily from accounts maintained by the Department of Finance and Administration and the State Treasurer. Additional data has been derived from the audited financial statements of certain entities and from reports and data prescribed by the Department of Finance and Administration, Office of Accounting. These prescribed reports and data were prepared by various State agencies and departments based on independent or subsidiary accounting records maintained by them.

***The Reporting Entity*** - For financial reporting purposes, the State of Arkansas' primary government includes all funds, account groups, departments and agencies, boards, commissions, and authorities that make up the State's legal entity. The State's reporting entity also is comprised of its component units; legally separate organizations for which the State's elected officials are financially accountable.

***Individual Component Unit Disclosures*** - GAAP defines component units as those entities which are legally separate organizations for which the State's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading and incomplete. GAAP details two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the State's balances and transactions; or discrete presentation of the component units' financial data columns separate from the State's balances and transactions.

***Blended Component Units*** - The State has no blended component units.

***Discretely Presented Component Units*** - Discrete component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Arkansas Student Loan Authority ("ASLA") and Arkansas Development Finance Authority ("ADFA") meet the criteria of discretely presented component units because they are legally separate, and the State is financially accountable. The Component Units column of the combined financial statements include the financial data of the following entities:

> ***Arkansas Student Loan Authority*** - ASLA was established pursuant to Act 873 of 1977, as amended. The purpose of ASLA is to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. The students attend qualified Arkansas educational institutions or are Arkansas residents who attend qualified institutions located outside the State of Arkansas.

***Arkansas Development Finance Authority*** - ADFA provides financing through the issuance of taxable and tax-exempt bonds for housing, industry, local governments, education, agricultural enterprises, health care, infrastructure projects, jails and prisons. ADFA also offers direct loans for housing, small minority businesses, agriculture and exporting.

***Component Unit Financial Statements*** - Complete financial statements of each of the discretely presented component units can be obtained by contacting their respective administrative office.

| | |
|---|---|
| Arkansas Student Loan Authority<br>101 East Capitol, Suite 401<br>Little Rock, AR 72201 | Arkansas Development Finance Authority<br>100 Main Street, Suite 200; P.O. Box 8023<br>Little Rock, AR 72203 |

***Fund Structure*** - The financial activities of the State are accounted for in individual funds and account groups. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. These are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Individual funds of the primary government are classified in four fund categories: governmental, proprietary, fiduciary and higher education.

Account groups are accounting entities used to account for the State's general fixed assets and long-term debt. These account groups are not funds because they do not reflect available financial resources and related liabilities.

The following describes the fund categories and account groups used in the accompanying general purpose financial statements:

**Governmental Funds**

*General Fund* - The general fund is the general operating fund of the State. It is used to account for all financial resources obtained and spent for those services normally provided by the State which are not accounted for in other funds.

**Proprietary Fund**

*Enterprise Fund* - This fund is used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds consist of the Workers' Compensation Commission ("WCC") which is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment, the Construction Assistance Revolving Loan Fund, which is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities, the Other Revolving Loan Funds, which are responsible for the planning, design, acquisition, construction, expansion, equipping, and/or rehabilitation of water systems and for the financing of capitalizable educational and general projects for community and technical colleges.

**Fiduciary Funds**

*Trust and Agency Funds* - These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations or other funds. These funds include expendable trust,

pension trust and agency funds. Pension trust funds are accounted for on the accrual basis. Expendable trust funds are accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Higher Education Fund**

The financial statements of Higher Education have been prepared with the accounting guidance and reporting practices applicable to colleges and universities, as outlined in the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities*, the *College and University Business Administration*, published by the NACUBO and pronouncements issued by the GASB.

*Current Funds* - These funds are used to account for resources that will be expended in the near term for operating purposes of the institutions. These include (1) unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes, and (2) restricted funds which may be utilized only in accordance with externally restricted purposes.

*Fiduciary Funds* - These funds are used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity.

*Plant Funds* - These funds are used to account for institutional property acquisition, renewal, replacement, debt service and investment.

*Agency Funds* - These funds are used to account for amounts held in custody for students, university-related organizations and others.

The Combined Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes in Fund Balances is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

**Account Groups**

*General Fixed Assets* - This account group is used to account for all fixed assets (excluding infrastructure) that are not accounted for in the proprietary fund, pension trust funds, higher education fund or component units.

*General Long-Term Debt* - This account group includes the unmatured portion of the long-term general obligation debt which is to be financed from governmental funds. Also included in this group are long-term liabilities resulting from capital lease obligations, notes payable, claims and judgments, compensated absences and unfunded pension costs.

**Discretely Presented Component Units**

The State's discretely presented component units conduct business-like activities that provide goods/services to the public, other governmental units and the State, and are financed primarily through user charges. The measurement focus of these entities is upon determination of net income, financial position and cash flows.

***Basis of Accounting*** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus as described below. The revenue, expenditure and expense recognition policies have been applied in the determination of the related assets and liabilities at June 30, 1999.

Governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. The State's revenue recognition policies conform to the provisions of GASB Statement No. 22, *Accounting for Tax-Payer Assessed Tax Revenues in Governmental Funds*. Significant revenues susceptible to accrual include income, sales, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Revenues from federal grants are recognized when the related expenditures have been incurred. Revenues from other sources are recognized when received. Expenditures are recorded at the time fund liabilities are incurred except (1) inventories generally are recorded as expenditures when purchased, and (2) principal and interest on long-term debt are recorded when paid.

The accrual basis of accounting with a flow of economic resources measurement focus is utilized in the proprietary fund, pension trust funds, higher education fund and discretely presented component units. Under this accounting basis, revenues are recognized when earned and expenses are recognized when incurred. For the pension trust funds, employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

The State and the discretely presented component units have adopted the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that Use Proprietary Fund Accounting*. As permitted by the statement, the State has elected not to adopt Financial Accounting Standards Board ("FASB") Statements issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations.

Consistent with current GAAP for public colleges and universities, depreciation on higher education physical or plant assets is not recorded, and revenue and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted.

Agency funds are custodial in nature (assets equal liabilities) and are accounted for on a modified accrual basis of accounting.

***Budgetary Basis of Accounting*** - The State's budget is adopted in accordance with a statutory cash basis of accounting which is not in accordance with GAAP. Revenues are recognized when cash is received and deposited in the State Treasury or reported to the Department of Finance and Administration. Expenditures are recorded when cash is disbursed. If goods or services are not received before year end, all encumbrances lapse, except those appropriations for multi-year projects.

***Cash and Cash Equivalents*** - Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit and all short-term instruments with maturities at purchase of ninety days or less. Short-term investments are stated at fair value, except for agency funds not held for investment purposes which are reported at amortized cost.

***Investments*** - Investments include U.S. Government and government agency obligations, repurchase agreements, state and local government obligations and corporate debt and equity obligations. Investments are reported at fair value, except for agency fund investments not held for investment purposes, which are reported at amortized cost. The General and Higher Education Fund Investments are stated at fair value as determined by independent quoted market sources.

Investments in the pension trust funds are reported at fair values as determined by the custodial agents. The agents determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Realized and unrealized gains and losses on investments are included in investment earnings on the respective operating statement.

The University of Arkansas System (the "System") has established an investment pool (the "Pool"). The investments in the Pool are governed by the System Investment Policy, which was established by the University of Arkansas Board of Trustees. The Pool is not SEC-registered. Participation in the Pool is voluntary. At June 30, 1999, four universities and two foundations participated in the Pool. These foundations hold 61% or $274 million of the investments in the Pool, which are reported separately along with the related liability in an agency fund. Participation in or withdrawal from the Pool is based on the daily market value of the units within the Pool. Income from the Pool is allocated to the participants in the Pool based on the market value per unit from the previous day. The Pool issues a publicly available financial report, which may be obtained by writing or calling the University of Arkansas System, 2404 North University Avenue, Little Rock, Arkansas, 72207-3608, (501) 686-2500.

***Receivables*** - Receivables in the State's governmental fund consist primarily of taxes, loans, interest and federal grants. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt. Receivables in all other funds have arisen in the ordinary course of business.

***Interfund Transactions*** - The State has three types of interfund transactions:

- Operating appropriations. These are accounted for as operating transfers in the funds involved.
- Residual equity transfers. These are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from fund equity.
- Quasi-external transactions. Charges or collections for services rendered by one fund to another are recorded as revenues in the receiving fund and expenditures/expenses of the disbursing fund.

***Inventories*** - Inventories of materials and supplies are valued at cost, principally using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. Inventory balances are recorded as a reserve of fund balance indicating that they do not constitute "available spendable resources."

***Fixed Assets*** - Purchases of general fixed assets of the governmental funds are recorded as expenditures of those funds, with the related assets recorded in the General Fixed Asset Account Group. General fixed assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at fair market value or estimated fair market value at the time of the donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Public domain general fixed assets ("infrastructure"), consisting of roads, bridges, streets, sidewalks, drainage systems and lighting systems, are not capitalized as these assets are immovable and of value only to the government. Assets in the General Fixed Asset Account Group are not depreciated.

Fixed assets held in the enterprise funds and discretely presented component units have been valued in the same manner as the General Fixed Asset Account Group. The fixed assets of these funds are depreciated on a straight-line basis over their estimated useful lives. Buildings are depreciated over various lives, ranging from 20 to 50 years, machinery and equipment 3 to 35 years and vehicles 5 years.

***Contributed Capital*** - The Revolving Loan Funds record contributed capital for federal and state grants used to fund the programs. As grants are received, the State recognizes such grants as direct contributions to equity.

***Compensated Absences*** - The amount of compensated absences to be paid from future resources is reported in the General Long-Term Debt Account Group. Vested or accumulated vacation leave of the proprietary, higher education fund and component units is recorded as an expense and an accrued liability of these funds as the benefits accrue to employees.

***Equity*** - Reserves represent those portions of equity that are not available for appropriation or legally segregated for a specific future use.

***Total Columns (Memorandum Only)*** - Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in accordance with generally accepted accounting principles, nor is such data comparable to a consolidation.

***Use of Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

***Future Adoption of Accounting Pronouncements*** - The GASB has issued Statement of Governmental Accounting Standards No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* which the State has not yet adopted. The requirements of this Statement are effective in three phases based on the State's total annual revenues in the first fiscal year ending after June 30, 1999. The State will be required to implement GASB 34 effective for the fiscal year ending June 30, 2002.

**NOTE 2: BUDGETARY BASIS REPORTING - BUDGETARY PROCESS**

State finance law requires that a balanced budget be approved by the Governor and the General Assembly. The Governor presents an annual budget to the General Assembly which includes an estimate of revenues, expenditures and other financing sources and uses anticipated during the coming biennial period. The General Assembly, which has full authority to amend the budget, adopts a line item budget by appropriating monies in biennial appropriation acts. The State does not adopt a revenue budget but does monitor the revenues and forecast of revenues and makes appropriate revisions to the expenditure budget based on such forecasts. These forecasts are adjusted quarterly to reflect actual receipts of revenues.

Before signing the appropriation act, the Governor may veto any specific item, subject to legislative override. Further changes to the budget established in the biennial appropriation may be made via supplemental appropriation acts or other subsequent legislative acts. These also must be approved by the General Assembly and signed by the Governor and are subject to the line item veto.

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the "Stabilization Law") to provide an allotment process of funding appropriations in order to comply with the state law prohibiting deficit spending. The Governor may restrict spending to a level below appropriations amounts. The State uses specific "internal sub funds" (i.e. general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are

distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department and judges), their staffs and the Department of Finance and Administration ("DF&A"). The balance is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by DF&A and 1 1/2% of all special revenues collected by other agencies are first distributed to provide support for the State's elected officials, their staffs and DF&A. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

General revenues are transferred into funds established and maintained by the Treasurer for major programs and agencies of the State in accordance with funding priorities established by the General Assembly.

Pursuant to the Stabilization Law, the General Assembly establishes three levels of priority for general revenue spending levels, "A," "B" and "C". Successive levels of appropriations are funded only in the event sufficient revenues have been generated to fully fund any prior level. Accordingly, appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs or agencies' funds maintained by the Treasurer or the maximum appropriation by the General Assembly.

Each of these legally adopted internal sub-funds are accounted for on the cash basis. All prior fiscal year unpaid bills or claims that did not have sufficient funds and appropriation at the end of the fiscal year may be submitted by the agency to the Claims Commission. Upon approval of the claims, funds are appropriated in the following biennium to allow for payment, unless the claims are approved during a special session of the legislature.

The majority of the State's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the General Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, the General Assembly may direct that certain revenues be retained and made available for spending within a specific appropriation account.

The rate of spending of appropriations is controlled by DF&A. DF&A utilizes quarterly allotments which restrict spending to a certain percentage of the annual appropriation. The percentage is established to coincide with the expected actual rate of revenue collections, thereby ensuring adequate cash flow throughout the year.

DF&A has the responsibility to ensure that budgetary spending control is maintained on an individual appropriation line item basis. Budgetary control is maintained through the Arkansas Accounting Federal Grants Management System ("AFGM"). AFGM ensures that expenditures are not processed if they exceed the appropriation line item's total available spending authorization, which is considered its budget. Generally, expenditures may not exceed the level of spending authorized. However, Arkansas law authorizes DF&A to transfer specific holding appropriations when other sources of funding are received, such as a federal grant.

An AFGM report, internally identified as AFGM R5901, is used by DF&A to monitor spending against budget. This report provides information at the individual appropriation line item level, which is the legal level of budgetary control, and is available from DF&A. For financial reporting, the State groups these appropriation account categories by function to conform to its organizational structure.

The State uses the General Fund to summarize the internal sub-funds, which represent accounts or activities that have been legally appropriated.

The following is a reconciliation of the statutory cash basis excess of revenues and other sources over expenditures and other uses of the General Fund to the GAAP basis excess of revenues and other sources over expenditures and other uses presented in the financial statements (expressed in thousands):

| | |
|---|---|
| Excess of revenues and other sources over expenditures and other uses (statutory basis) | $105,709 |
| Non-appropriated excess of expenditures and other uses over revenues and other sources | 5,031 |
| Basis of accounting differences | (69,885) |
| Excess of revenues and other sources over expenditures and other uses (GAAP basis) | $ 40,855 |

Supplemental appropriations of $119 million were required during the fiscal year ended June 30, 1999.

## NOTE 3: DEPOSITS AND INVESTMENTS

### *Cash*

Arkansas Code requires that all cash fund agencies, other than the institutions of Higher Education, abide by the cash management and investments standards and procedures promulgated by the State Board of Finance. The stated primary goal of State cash management is the protection of principal, while maximizing investment earnings and minimizing non-interest bearing balances.

Cash and cash equivalents are defined as short-term highly liquid investments with original maturities of ninety days or less. The reported amount of total deposits at June 30, 1999, is as follows (expressed in thousands):

| | Primary Government | Component Units |
|---|---|---|
| Reported amount of deposits | $ 900,747 | $ 6,294 |
| Bank balance of deposits | 1,128,629 | 7,604 |
| Amount insured or collateralized with securities held by the State or its agent in the State's name | 973,593 | 4,634 |
| Amount collateralized with securities held by the pledging financial institution's trust department or agent in the State's name | 92,297 | |
| Uncollateralized, or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the State's name | 62,739 | 2,970 |

The following schedule reconciles the reported amount of deposits as disclosed above to the combined balance sheet (expressed in thousands):

| | Primary Government | Component Units |
|---|---|---|
| Reported amount of deposits | $ 900,747 | $ 6,294 |
| Cash on hand | 1,453 | |
| Undeposited receipts | 26,445 | |
| Cash held at U.S. Treasury | 241,764 | |
| Investments disclosed as cash equivalents for GASB 3 | (3,000) | (1,000) |
| Cash equivalents disclosed as investments for GASB 3 | 1,576,317 | 150,644 |
| Cash and cash equivalents as reported on the combined balance sheet | $2,743,726 | $ 155,938 |

*Investments*

State funds are invested by the Treasurer, as well as various state agencies, including the Retirement Systems, institutions of Higher Education, and Discretely Presented Component Units. Permissible investments include those guaranteed by the United States of America, its agencies, and instrumentalities (U.S. Government obligations); repurchase agreements; corporate debt and equity obligations; and state and local government securities.

Purchased and donated investments are generally stated at fair value, while investments held in an agency capacity and not for investment purposes are reported at amortized cost. In accordance with Statement No. 3 of the GASB, the State's investments are categorized to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the State's name.

*Primary Government -*

Investments for the Primary Government at June 30, 1999, by security type and level of risk, are as follows (expressed in thousands):

| Security Type | Category 1 | Category 2 | Category 3 | Reported Amount | Fair Value |
|---|---|---|---|---|---|
| Categorized: | | | | | |
| U.S. Government securities | $ 1,748,878 | $ 1,220 | $209,172 | $ 1,959,270 | $ 1,969,740 |
| Corporate securities | 6,870,949 | | 252,184 | 7,123,133 | 7,125,941 |
| International securities | 1,052,412 | | 22,229 | 1,074,641 | 1,074,641 |
| Repurchase agreements | 125,987 | | 112,180 | 238,167 | 238,167 |
| Bank obligations | | | 234,243 | 234,243 | 234,243 |
| State and local government securities | 38,267 | | | 38,267 | 39,665 |
| Other categorized | 109,116 | 253 | 836 | 110,205 | 110,205 |
| Total Investments Categorized by Security Type | $ 9,945,609 | $ 1,473 | $830,844 | 10,777,926 | 10,792,602 |
| Uncategorized: | | | | | |
| Mutual funds | | | | 1,361,232 | 1,361,232 |
| Securities lent for cash collateral | | | | 1,375,452 | 1,375,452 |
| Commingled funds | | | | 879,758 | 879,758 |
| Mortgage obligations | | | | 135,468 | 135,468 |
| Real estate | | | | 44,358 | 44,358 |
| Limited partnership investment | | | | 536,122 | 536,122 |
| Private placements | | | | 16,393 | 16,393 |
| Investment pool | | | | 875,549 | 875,549 |
| Guaranteed investment contract | | | | 31,304 | 31,304 |
| Other investments | | | | 3,364 | 3,364 |
| Total | | | | $ 16,036,926 | $ 16,051,602 |

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

| | |
|---|---|
| Reported amount of investments | $ 16,036,926 |
| Investments disclosed as cash equivalents for GASB 3 | (1,576,317) |
| Cash equivalents disclosed as investments for GASB 3 | 3,000 |
| Investments as reported on the combined balance sheet | $ 14,463,609 |

*Component Units -*

Investments for the Discretely Presented Component Units at June 30, 1999, by security type and level of risk, are as follows (expressed in thousands):

| | Category | | | | |
|---|---|---|---|---|---|
| Security Type | 1 | 2 | 3 | Reported Amount | Fair Value |
| Categorized: | | | | | |
| U.S. Government agency obligations | $632,697 | | $5,760 | $ 638,457 | $ 638,457 |
| Commercial paper | 252 | | | 252 | 252 |
| Repurchase agreements | 9,056 | | | 9,056 | 9,056 |
| Total Investments Categorized by Security Type | $642,005 | | $5,760 | 647,765 | 64,765 |
| Uncategorized: | | | | | |
| Investment agreements | | | | 272,456 | 272,456 |
| Mutual funds | | | | 150,644 | 150,644 |
| Total | | | | $1,070,865 | $1,070,865 |

The following schedule reconciles the carrying amount of investments as disclosed above to the combined balance sheet (expressed in thousands):

| | |
|---|---|
| Reported amount of investments | $ 1,070,865 |
| Investments disclosed as cash equivalents for GASB 3 | 1,000 |
| Cash equivalents disclosed as investments for GASB 3 | (150,644) |
| Investments as reported on the combined balance sheet | $ 921,221 |

## NOTE 4: DERIVATIVES

***Primary Government -***

***Forward Currency Contracts***

Arkansas Public Employees Retirement System ("APERS") and Arkansas Teacher Retirement System ("Teacher") enter into forward-exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in the value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net realized gain or loss on forward currency contracts in the statement of changes in plan net assets. At June 30, 1999, the retirement systems referred to above were party to outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of $93.9 million, collectively. Market values of these outstanding contracts were $96.4 million resulting in an unrealized net gain of approximately $2.5 million. The retirement systems also had outstanding forward currency contracts to sell foreign currency with contract amounts of $148.4 million at June 30, 1999. Market values of these contracts were $150.2 million resulting in an unrealized net loss of approximately $1.8 million.

*Mortgage-Backed Securities*

APERS, Teacher, and Arkansas State Highway Employees Retirement System ("ASHERS"), invest in various asset-backed securities, mortgage-backed securities, and structured corporate debt. These securities are reported at fair value in the balance sheet. They are also included in the totals of government securities and corporate securities, depending on the issuer, in the disclosure of custodial credit risk (see Note 3 on Deposits and Investments). The retirement systems referred to above invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets.

*Component Units -*

*Mortgage-Backed Securities*

ADFA invests in various asset and mortgage-backed securities. These securities are reported at fair value in the combined balance sheet. They are also included in the totals of U.S. Government and Agency securities in the disclosure of custodial credit risk. ADFA invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets.

*Interest Rate Swaps*

ASLA has entered into an interest rate swap agreement to effectively convert $32.7 million of fixed rate debt to variable rate debt with a weighted average interest rate based on the PSA Municipal Swap Index. The effective interest rate of the debt was 4.4% for the period ended June 30, 1999. The differential to be paid or received on the interest rate swap is accrued as interest rates change and is charged or credited to interest expense over the life of the agreement. ASLA's credit risk related to this interest rate swap agreement is generally the differential, if any, payable by the counterparty which accumulated prior to the June 1, and December 1, settlement dates each year. The ASLA is exposed to interest rate risk under the swap agreement and will incur interest expense above the related bond interest rates if the weighted PSA Municipal Swap Index rate exceeds 4.84%. The related PSA Municipal Swap Index rate was 3.31% at June 30, 1999. The interest rate swap agreement is set to expire June 1, 2003.

**NOTE 5: SECURITIES LENDING ARRANGEMENTS**

State Police, Teacher and APERS participate in security lending programs, as authorized by Arkansas Code Annotated Title 24, Chapter 3, Subchapter 4, Section 12, whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents or other securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the full market value of the security loaned. At all times during the term of each loan, the total value of the collateral is not to be less than 95% of the full market value of all securities on loan. The program is administered by custodial agent banks. The Code does not specify the types of securities that may be loaned. The type of securities on loan at June 30, 1999, includes domestic and international equities, domestic and international corporate fixed income securities, U.S. Treasury securities, government agency securities and non U.S. sovereigns. Securities on loan at fiscal year end for cash collateral are uncategorized in the preceding summary of deposits and investments (Note 3); securities on loan for non-cash collateral are classified by category of custodial credit risk based on the categorization appropriate for the collateral. With the exception of cash collateral, the pensions do not have the ability to pledge or sell the collateral unless there is borrower default. The pensions invest cash collateral received; accordingly, investments made with cash collateral received appear as assets on the Statement of Plan Net Assets and Combined Balance Sheet. As

the pensions must return the cash collateral to the borrower upon expiration of the loan, a corresponding liability is recorded in accrued and other liabilities. At June 30, 1999, cash collateral and investments made with cash collateral was approximately $1.41 billion. These securities have also been classified in the preceding summary of deposits and investments (see Note 3). The weighted average maturity of collateral investments generally does not match the maturity of the loans. The custodial agents provide the pensions with an indemnification if an insolvency causes the borrower to fail to return the securities lent. However, in the history of the pensions' participation in such programs, no losses resulting from default have occurred. Total securities on loan at June 30, 1999, was $1.39 billion and total collateral received for these securities on loan was $1.43 billion.

## NOTE 6: RESTATEMENT OF PRIOR YEAR FUND EQUITY

Fund equity and other credits at June 30, 1998, has been restated as follows (expressed in thousands):

| | Proprietary | Component Units |
|---|---|---|
| Fund equity: | | |
| Balance as previously reported | $102,490 | $152,072 |
| Restatement - correction of prior years amounts | 11,627 | (9,796) |
| Balance as of June 30, 1998, as adjusted | $ 114,117 | $ 142,276 |

| | Retained Earnings | Contributed Capital | Total |
|---|---|---|---|
| Proprietary detail: | | | |
| Balance as previously reported | $ (12,014) | $114,504 | $102,490 |
| Restatement - correction of prior years amounts | 5,696 | 5,931 | 11,627 |
| Balance as of June 30, 1998, as adjusted | $ (6,318) | $ 120,435 | $ 114,117 |

Subsequent to the issuance of the State's 1998 general purpose financial statements, management of the State has restated fund equity of the proprietary and component unit funds by approximately $11.6 million to reflect the relationship of the Other Revolving Loan Funds in accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity*.

## NOTE 7: RECEIVABLES

Receivables at June 30, 1999, consisted of the following (expressed in thousands):

***Primary Government -***

| | Accounts | Taxes | Employer | Employee | Notes and Deposits | Medicaid | Loans | Investment Related | Allowance for Uncollectibles | Net Receivable by Fund Type |
|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | $ 97,644 | $ 280,949 | | | $ 37,595 | $ 136,510 | $ 142,389 | $ 12,705 | $ (66,070) | $ 641,722 |
| Enterprise Funds | 10,004 | | | | | | 171,175 | 2,539 | | 183,718 |
| Trust and Agency Funds | 68,554 | | $ 9,062 | $ 5,369 | | | | 279,660 | (20,039) | 342,606 |
| Higher Education Fund | 620,018 | | | | 47,897 | | | 2,115 | (480,500) | 189,530 |
| Total | $ 796,220 | $ 280,949 | $ 9,062 | $ 5,369 | $ 85,492 | $ 136,510 | $ 313,564 | $ 297,019 | $ (566,609) | $ 1,357,576 |

*Component Units -*

| | Accounts | Loans | Investment Related | Allowance for Uncollectibles | Net Receivable by Component Unit |
|---|---|---|---|---|---|
| ASLA | | $ 197,167 | $ 3,230 | $ (1,725) | $ 198,672 |
| ADFA | $ 3,703 | 412,145 | 8,749 | (2,942) | 421,655 |
| Total | $ 3,703 | $ 609,312 | $ 11,979 | $ (4,667) | $ 620,327 |

## NOTE 8: INTERGOVERNMENTAL ACTIVITY (expressed in thousands)

***Interfund Receivables and Payables***

| | Due from | Due to |
|---|---|---|
| General Fund | $ 949 | $ 4,251 |
| Trust and Agency Funds - Expendable Trust | 229 | 93 |
| Higher Education Fund - Current Funds | 4,022 | 856 |
| Total | $ 5,200 | $ 5,200 |

***Intrafund Receivables and Payables***

| | Due from | Due to |
|---|---|---|
| Higher Education Fund: | | |
| Current funds | $ 8,196 | $ 11,245 |
| Loan | 5 | |
| Endowment and similar | | 1,180 |
| Plant | 5,627 | 1,452 |
| Agency | 51 | 2 |
| Total | $ 13,879 | $ 13,879 |

***Advances to/from Other Funds - Primary Government***

| | Advances to | Advances from |
|---|---|---|
| General Fund | $ 16,430 | $ 22,923 |
| Trust and Agency Funds - Pension Trust - Teacher | 22,923 | |
| Higher Education Fund - Plant Fund | | 16,430 |
| Total | $ 39,353 | $ 39,353 |

***Operating Transfers***

| | Operating Transfers In | Operating Transfers Out |
|---|---|---|
| General Fund | $ 162 | $606,285 |
| Enterprise Fund - Workers' Compensation Commission | | 162 |
| Higher Education Fund: | | |
| Current Funds | 547,417 | |
| Loan Fund | 535 | |
| Plant Fund | 58,333 | |
| Total | $606,447 | $606,447 |

## NOTE 9: FIXED ASSETS

***Primary Government -***

Changes in general fixed assets were as follows (expressed in thousands):

| | Balance June 30, 1998 | Additions | Deletions | Balance June 30, 1999 |
|---|---|---|---|---|
| Land | $ 167,066 | $ 2,920 | $ 467 | $ 169,519 |
| Buildings | 606,878 | 18,039 | 534 | 624,383 |
| Equipment | 207,412 | 22,805 | 9,254 | 220,963 |
| Construction in progress | 46,545 | 38,622 | 14,542 | 70,625 |
| Total | $1,027,901 | $82,386 | $24,797 | $1,085,490 |

At June 30, 1999, fixed assets by category in other funds consisted of the following amounts:

| | Enterprise Funds | Pension Trust Funds | Higher Education Fund |
|---|---|---|---|
| Land | $ 580 | | $ 126,873 |
| Buildings | 1,634 | | 1,256,677 |
| Equipment | 1,429 | $ 1,968 | 434,645 |
| Construction in progress | | | 159,697 |
| Other | 158 | | 142,744 |
| Subtotal | 3,801 | | 2,120,636 |
| Less: Accumulated Depreciation | (1,309) | (1,018) | - |
| Total | $ 2,492 | $ 950 | $2,120,636 |

***Component Units -***

At June 30, 1999, fixed assets reported in the State's discretely presented component units consisted of the following amounts:

| | |
|---|---|
| Equipment | $ 1,027 |
| Other | 629 |
| Subtotal | 1,656 |
| Less: Accumulated Depreciation | (1,161) |
| Total | $ 495 |

## NOTE 10: SUMMARY OF LONG-TERM DEBT

The State records its long-term liabilities in the General Long-Term Debt Account Group. These liabilities include general obligation bonds, special obligations bonds, notes payable to component units, other debt instruments, capital leases, capital leases with component units, claims and judgments payable in future years, accrued compensated absences, and net pension obligation.

The following schedule shows the changes in the General Long-Term Debt Account Group for the year ended June 30, 1999 (expressed in thousands):

| | Balance June 30, 1998 | Debt Issued | Debt Paid | Other Changes | Balance June 30, 1999 |
|---|---|---|---|---|---|
| Bonds: | | | | | |
| General obligation | $400,402 | | $ 23,166 | $ 11,100 | $ 388,336 |
| Special obligation | 5,795 | | 1,865 | | 3,930 |
| Other debt instruments | 7,747 | | 805 | 200 | 7,142 |
| Notes payable to component unit | 51,995 | $2,115 | 1,855 | (25,076) | 27,179 |
| Capital leases | 27,730 | 326 | 1,764 | | 26,292 |
| Capital leases with component unit | 80,737 | | 9,630 | | 71,107 |
| Claims and judgments | 142,228 | | 25,000 | (25,359) | 91,869 |
| Compensated absences | 61,866 | | | (60) | 61,806 |
| Net pension obligation | 5,466 | | | (257) | 5,209 |
| Total | $783,966 | $2,441 | $ 64,085 | $(39,452) | $ 682,870 |

***Primary Government -***

**Governmental Fund Type Operations**

***General Obligation Bonds*** - The Constitution of the State does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose.

General obligation bonds outstanding at June 30, 1999, including accrued accreted interest of approximately $46.1 million on capital appreciation bonds, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rates % | Balance |
|---|---|---|---|
| Soil and Water Conservation Bonds: | | | |
| 1992A Series Water Resources G.O. Bonds | 2021 | 5.40 - 6.38 | $ 17,205 |
| 1995A Series Water Resources G.O. Bonds | 2024 | 4.60 - 5.60 | 4,945 |
| 1995B Series Water Resources G.O. Bonds | 2025 | 4.20 - 5.75 | 7,050 |
| 1996A Series Water Resources G.O. Bonds | 2017 | 4.50 - 5.38 | 11,455 |
| 1996B Series Water Resources G.O. Bonds | 2025 | 4.70 - 5.85 | 7,295 |
| 1997A Series Water Resources G.O. Bonds | 2026 | 4.50 - 5.70 | 14,765 |
| 1997B Series Water Resources G.O. Bonds | 2026 | 4.00 - 5.25 | 14,450 |
| 1998 Series Water Resources G.O. Bonds | 2027 | 4.50 - 4.88 | 9,955 |
| 1992B Series Waste Disposal G.O. Bonds | 2020 | 5.00 - 6.25 | 9,140 |
| 1994A Series Waste Disposal G.O. Bonds | 2008 | 4.65 - 5.50 | 8,320 |
| 1995A Series Waste Disposal G.O. Bonds | 2025 | 4.10 - 5.50 | 2,375 |
| 1996A Series Waste Disposal G.O. Bonds | 2025 | 5.10 - 5.63 | 4,865 |
| 1997A Series Waste Disposal G.O. Bonds | 2026 | 4.00 - 5.25 | 4,915 |
| 1998A Series Waste Disposal G.O. Bonds | 2027 | 4.50 - 5.05 | 10,000 |
| College Savings Bonds: | | | |
| 1991A Series, G.O. Bonds | 2011 | 6.30 - 7.00 | 16,620 |
| 1991B Series, G.O. Bonds | 2012 | 6.35 - 7.00 | 24,604 |
| 1991C Series, G.O. Bonds | 2013 | 5.90 - 6.90 | 15,379 |
| 1993 Series, G.O. Bonds | 2014 | 5.00 - 5.95 | 18,260 |
| 1995 Series, G.O. Bonds | 2015 | 4.20 - 5.90 | 21,420 |
| 1996A Series, G.O. Bonds | 2016 | 4.00 - 5.65 | 23,243 |
| 1996B Series, G.O. Bonds | 2016 | 4.55 - 6.30 | 16,779 |
| 1996C Series, G.O. Bonds | 2016 | 4.30 - 6.00 | 27,486 |
| 1997A Series, G.O. Bonds | 2017 | 4.60 - 6.05 | 29,107 |
| 1997B Series, G.O. Bonds | 2017 | 4.10 - 5.60 | 28,222 |
| 1998A Series, G.O. Bonds | 2017 | 4.00 - 5.35 | 40,481 |
| Total | | | $388,336 |

Future amounts required to pay principal and interest on general obligation bonds at June 30, 1999, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30: | | | |
| 2000 | $ 21,108 | $ 12,292 | $ 33,400 |
| 2001 | 21,053 | 12,363 | 33,416 |
| 2002 | 18,496 | 14,913 | 33,409 |
| 2003 | 17,794 | 15,611 | 33,405 |
| 2004 | 17,604 | 16,638 | 34,242 |
| Thereafter | 246,188 | 229,875 | 476,063 |
| Total | $342,243 | $301,692 | $643,935 |

Details of general obligation bonds outstanding are as follows:

*State Water Resources Development General Obligation Bonds* - Act 496 of 1981, as amended, authorized the Soil and Water Conservation Commission to issue State Water Resources Development General Obligation Bonds. All bonds issued under the authority of this Act are general obligations of the State of Arkansas and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Act limited the total principal amount to $100 million with no more than $15 million being issued during any fiscal biennium unless the General Assembly by law authorizes a greater amount to be issued. The bonds were issued to provide financing for the development of water resources projects in the State of Arkansas approved and implemented by the Arkansas Soil and Water Conservation Commission with the exception of the portion of the Series 1992A and the Series 1996A bonds. A portion of the Series 1992A bonds were issued to refund the outstanding principal amount of the Water Series 1985 bonds. The Series 1996A bonds were issued to defease the outstanding principal of the Water Series 1989A bonds.

*State Waste Disposal and Pollution Abatement Facilities General Obligation Bonds* - Act 686 of 1987, as amended, authorized the State to issue Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Act limited the total principal amount to $250 million with no more than $50 million being issued during any fiscal biennium unless the General Assembly by law authorizes a greater amount to be issued. The bonds were issued to provide financing for the development of waste disposal and pollution abatement facilities projects in the State of Arkansas with the exception of the Series 1992B and 1994A bonds which were issued to refund the outstanding principal amount of Waste Series 1990A and 1992A bonds, respectively. The bonds are payable from the general revenues of the State, any repayments on project loans and investment earnings on the proceeds of the bonds.

*College Savings General Obligation Bonds* - Act 683 of 1989, as amended, authorized the State to issue College Savings General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Act provides that no more than $100 million may be issued in any fiscal biennium unless the General Assembly of the State shall, by law, authorize a greater principal amount thereof to be issued. The College Series bonds were issued to provide funds to finance capital improvements projects at State institutions of higher education. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds.

***Special Obligation Bonds*** - Special obligation bonds are issued by various state departments, agencies, and authorities which are part of the primary government. Special obligation bonds are issued pursuant to specific statutory provisions enacted by the Legislature. Principal and interest payments are made from specifically dedicated fees and other revenues generated by the appropriate program. Special obligation bonds do not constitute general debt of the State.

Special obligation bonds outstanding at June 30, 1999, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rate(s) % | Balance |
|---|---|---|---|
| Arkansas Economic Development Commission - Guaranty Fund Revenue Bonds - 1990 Series | 2000 | 6.50 | $ 690 |
| Vocational and Technical Education - Capital Improvement - 1992 A Series | 2012 | 5.80 - 6.38 | 1,270 |
| Department of Parks and Tourism - State Parks Revenue System - 1971 Series | 2000 | 5.00 - 6.75 | 530 |
| War Memorial Stadium Commission - Revenue Improvement Bonds - 1995 Series | 2000 | 6.25 | 1,440 |
| Total | | | $3,930 |

Future amounts required to pay principal and interest on special obligation bonds at June 30, 1999, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30: | | | |
| 2000 | $1,985 | $ 206 | $2,191 |
| 2001 | 810 | 98 | 908 |
| 2002 | 75 | 71 | 146 |
| 2003 | 80 | 67 | 147 |
| 2004 | 85 | 62 | 147 |
| Thereafter | 895 | 276 | 1,171 |
| Total | $3,930 | $ 780 | $4,710 |

Details of special obligation bonds outstanding are as follows:

*Arkansas Economic Development Commission* - The $5.3 million Arkansas Economic Development Commission Guaranty Fund Revenue Bonds, Series 1990, dated April 1, 1990, were issued under the authority of Arkansas Code Annotated 15-4-701 and pursuant to a resolution duly adopted by the Arkansas Economic Development Commission. The proceeds from the sale of the bonds were used to replenish monies held in the Commission's Bond Reserve Guaranty Fund. The bonds are payable from earnings derived by the State Board of Finance from investment of State Treasury balances.

*Vocational and Technical Education* - The capital improvement revenue bonds were issued under the authority of Act 6 of the First Extraordinary Session of 1968, as amended. The bonds are special obligations of the Department of Workforce Education and are payable from and secured solely by pledged revenues and investment earnings on the proceeds of the bonds. The proceeds from the sale of the bonds were used to finance various capital improvements at vocational technical schools.

*Department of Parks and Tourism* - Act 399 of 1953 authorized the Department to borrow money and issue bonds for the improvement of parks in the State Parks System. The 1971 series bonds debenture is secured by a pledge of gross revenues derived from operation and/or ownership of the State Parks System. This debenture does not constitute an indebtedness for which the faith and credit of the State of Arkansas or any of its revenues are pledged and is not secured by a mortgage or lien on any State Parks System facility. The 1971 bonds were issued to provide financing for a portion of the cost of constructing improvements to various parks in the State Parks System. The bonds are payable from revenues generated by the State Parks System.

*War Memorial Stadium Commission* - The War Memorial Stadium Commission Stadium Improvement Revenue Bonds Series 1995, dated December 15, 1995, in the amount of $3.15 million were issued under the provisions of Amendment 65 to the Constitution of the State of Arkansas and Arkansas Code Annotated Sections 22-3-1001 *et seq.* for the purpose of financing the cost of acquiring, constructing, and equipping betterments and improvements to War Memorial Stadium located in Little Rock, Arkansas, and paying costs of issuing the bonds. The bonds are payable from net revenues derived by the Commission from the operation of the Stadium.

***Other Debt Instruments*** - Other debt instruments are similar to special obligation bonds in regard to the methods of issuance and the sources of repayment of principal and interest.

Other debt instruments outstanding at June 30, 1999, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rate(s) % | Balance |
|---|---|---|---|
| Certificates of Indebtedness: | | | |
| State Building Services - 1984 Issue "A" | 2003 | 8.50 | $1,135 |
| State Building Services - 1984 Issue "C" | 2003 | 8.50 | 2,761 |
| State Building Services - 1985 Issue "D" | 2003 | 8.50 | 1,165 |
| State Building Services - 1986 Issue "E" | 2003 | 8.50 | 111 |
| Arkansas Economic Development Commission Bond Reserve Guaranty Fund - Issues in Default | 2013 | various | 1,970 |
| Total | | | $7,142 |

Future amounts required to pay principal and interest on other debt instruments at June 30, 1999, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30: | | | |
| 2000 | $ 1,288 | $ 522 | $ 1,810 |
| 2001 | 1,091 | 428 | 1,519 |
| 2002 | 1,148 | 337 | 1,485 |
| 2003 | 1,240 | 238 | 1,478 |
| 2004 | 1,345 | 131 | 1,476 |
| Thereafter | 1,030 | 265 | 1,295 |
| Total | $ 7,142 | $ 1,921 | $ 9,063 |

Details of other debt instruments are as follows:

*State Building Services* - Act 458 of 1983 authorized State Building Services to issue certificates of indebtedness designated as State Building Services Certificates of Indebtedness. These certificates of indebtedness are special obligations secured solely by a lien on and pledge of specific pledged revenues. The Act limited the total principal amount to $25 million. The proceeds of the sale of certificates of indebtedness were used to construct facilities for the Department of Correction and to construct and equip facilities at State supported institutions of higher education. Debt service requirements are met by certain pledged revenues.

*Arkansas Economic Development Commission ("AEDC")* - The AEDC Bond Reserve Guaranty Fund is used to guarantee amortization payments on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 1999, total bonds guaranteed by the AEDC Bond Reserve Guaranty Fund amounted to approximately $38.8 million of which bonds totaling approximately $2 million were in default status and are recorded in the General Long-Term Debt Account Group.

***Notes Payable to Component Units*** - Notes payable to component units consist of notes issued to ADFA for construction and renovation of various State agency facilities. Principal and interest payments are made from specifically dedicated fees and other revenue sources. The outstanding balance of the notes payable to component units at June 30, 1999, was approximately $27 million.

Future amounts required to pay principal and interest on notes payable to component units at June 30, 1999, were as follows (expressed in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30: | | | |
| 2000 | $ 1,685 | $ 2,966 | $ 4,651 |
| 2001 | 1,770 | 2,884 | 4,654 |
| 2002 | 1,845 | 2,805 | 4,650 |
| 2003 | 1,935 | 2,721 | 4,656 |
| 2004 | 2,030 | 2,622 | 4,652 |
| Thereafter | 17,914 | 20,976 | 38,890 |
| Total | $27,179 | $34,974 | $62,153 |

**Proprietary Fund**

***Construction Assistance Revolving Loan Fund (the "Fund")*** - ADFA issues special obligation bonds on behalf of the Fund. The Fund uses the proceeds to support operations. The Fund is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities. The bonds are payable solely from loan repayments, interest on investments, and financing fees generated by the Fund. The State is not obligated to pay the bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal or redemption price or interest on the bonds.

Future amounts required to pay principal and interest on the special obligation bonds at June 30, 1999, were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined balance sheet due to unamortized discounts of $1.3 million:

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30: | | | |
| 2000 | $ 3,535 | $ 6,084 | $ 9,619 |
| 2001 | 3,705 | 5,918 | 9,623 |
| 2002 | 4,225 | 5,738 | 9,963 |
| 2003 | 4,690 | 5,532 | 10,222 |
| 2004 | 4,930 | 5,304 | 10,234 |
| Thereafter | 98,290 | 40,661 | 138,951 |
| Total | $119,375 | $69,237 | $188,612 |

**Higher Education Fund**

***Colleges and Universities*** - The Boards of Trustees of State-supported colleges and universities are authorized to issue revenue bonds and notes for the purpose of financing all or part of the acquisition of land, the construction or renovation of buildings and the acquisition of furnishings or equipment for any such buildings of all State colleges and universities. The bonds, which are not general debt of the State, are payable from student tuition and other fees.

At June 30, 1999, college and university revenue bonds and notes payable outstanding were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rate(s) % | Balance |
|---|---|---|---|
| Henderson State University | 2020 | 3.00 - 9.00 | $ 11,036 |
| Southern Arkansas University - Magnolia | 2014 | 3.00 - 8.75 | 9,036 |
| Southern Arkansas University Tech - Camden | 2015 | 4.80 | 740 |
| Arkansas State University - Beebe | 2012 | 3.00 - 7.04 | 5,653 |
| Arkansas State University - Jonesboro | 2009 | 3.00 - 7.50 | 40,585 |
| Arkansas State University - Mountain Home | 2018 | 5.00 | 6,295 |
| Arkansas Tech University | 2016 | 2.88 - 7.50 | 2,141 |
| University of Arkansas at Fayetteville | 2022 | variable | 86,262 |
| University of Arkansas at Little Rock | 2014 | 2.78 - 6.00 | 30,366 |
| University of Arkansas for Medical Sciences | 2019 | 1.40 - 8.65 | 94,366 |
| University of Arkansas at Monticello | 2004 | 2.88 - 4.50 | 5,666 |
| University of Arkansas at Pine Bluff | 2027 | 3.63 - 7.01 | 11,633 |
| University of Central Arkansas | 2026 | 2.75 - 8.00 | 46,025 |
| University of Arkansas at Hope Community College | 2018 | 5.75 | 7,870 |
| University of Arkansas at Batesville Community College | 2012 | 3.50 - 6.00 | 4,000 |
| East Arkansas Community College | 2012 | 3.50 - 6.00 | 1,900 |
| Garland County Community College | 2017 | 5.50 - 6.50 | 3,835 |
| Mid-South Technical College | 2018 | 4.60 - 6.12 | 10,765 |
| Mississippi County Community College | 2018 | 5.40 - 6.00 | 3,315 |
| North Arkansas Community Technical College | 2016 | 5.37 - 6.50 | 3,037 |
| Phillips Community College of the University of Arkansas | 2000 | 8.00 | 6,403 |
| Rich Mountain Community College | 2005 | 3.60 - 5.30 | 515 |
| Westark College | 2017 | 4.00 | 27,910 |
| Northwest Arkansas Community College | 2012 | 4.25 - 5.80 | 4,605 |
| Petit Jean College | 2017 | 4.88 | 2,500 |
| Pulaski Technical College | 2014 | variable | 4,650 |
| Total | | | $431,109 |

Future amounts required to pay principal and interest on college and university revenue bonds and notes payable as of June 30, 1999, were as follows (expressed in thousands):

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2000 | $ 19,286 | $ 17,081 | $ 36,367 |
| 2001 | 24,640 | 16,464 | 41,104 |
| 2002 | 20,625 | 15,530 | 36,155 |
| 2003 | 21,159 | 14,690 | 35,849 |
| 2004 | 20,313 | 13,861 | 34,174 |
| Thereafter | 325,086 | 114,239 | 439,325 |
| Total | $431,109 | $191,865 | $622,974 |

***Component Units -***

***Arkansas Student Loan Authority*** - Revenue bonds are issued by ASLA pursuant to Act 873 of 1977 to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. Principal and interest payments are made from specifically dedicated revenues generated by ASLA. Revenue bonds do not constitute general debt of the State.

Revenue bonds outstanding at June 30, 1999, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rate(s) % | Balance |
|---|---|---|---|
| Student Loan Revenue Bonds, Series 1991 | 2002 | 4.75 - 7.15 | $ 950 |
| Student Loan Revenue Bonds, Series 1992A-1 | 2006 | 5.25 - 6.40 | 44,180 |
| Student Loan Revenue Bonds, Series 1992A-2 | 2006 | 6.13 - 6.75 | 4,695 |
| Student Loan Revenue Bonds, Series 1993A-1 | 2006 | 5.00 - 6.13 | 4,540 |
| Student Loan Revenue Bonds, Series 1994A | 2009 | adjustable | 53,400 |
| Student Loan Revenue Bonds, Series 1994B | 2009 | 7.25 | 6,600 |
| Student Loan Revenue Refunding Bonds, Series 1996A | 2010 | adjustable | 42,900 |
| Student Loan Revenue Refunding Bonds, Series 1996B | 2010 | 6.25 | 14,000 |
| Student Loan Revenue Bonds, Series 1997A | 2014 | adjustable | 31,150 |
| Student Loan Revenue Refunding Bonds, Series 1997B Revenue Bonds | 2014 | 5.10 - 5.60 | 17,400 |
| Total | | | $219,815 |

Future amounts required to pay principal and interest on revenue bonds at June 30, 1999, were as follows (expressed in thousands):

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2000 | $ 4,745 | $ 11,354 | $ 16,099 |
| 2001 | 17,710 | 10,801 | 28,511 |
| 2002 | 13,520 | 9,837 | 23,357 |
| 2003 | 6,860 | 9,234 | 16,094 |
| 2004 | 3,620 | 9,088 | 12,708 |
| Thereafter | 173,360 | 40,913 | 214,273 |
| Total | $219,815 | $ 91,227 | $311,042 |

Revenue Bonds are reflected in the financial statements net of approximately $34 thousand of discounts.

***Arkansas Development Finance Authority*** - Pursuant to Act 1062, ADFA is authorized and empowered to issue bonds and various other debt instruments for the purpose of financing qualified agricultural business enterprises, capital improvement facilities, educational facilities, health care facilities, housing developments and industrial enterprises.

Bonds and other debt instruments issued by ADFA are special obligations of ADFA payable solely from and collateralized by a first lien on the proceeds, monies, revenues, rights, interests, and collections pledged therefore under the resolutions authorizing the particular issues. The State is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or redemption price of or interest on the bonds and other debt instruments. ADFA has no taxing power.

Bonds payable at June 30, 1999, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rates % | Balance |
|---|---|---|---|
| Single Family Bonds Payable | 2030 | 3.70 - 11.42 | $ 903,636 |
| Multi-Family Bonds Payable | 2027 | 4.15 - 9.40 | 206,268 |
| Development Finance Programs Bonds Payable | 2030 | 3.50 - 10.60 | 266,433 |
| Total | | | $1,376,337 |

Future amounts required to pay principal and interest on ADFA debt at June 30, 1999, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized premiums of $1.7 million:

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30: | | | |
| 2000 | $ 74,349 | $ 78,536 | $ 152,885 |
| 2001 | 39,369 | 76,538 | 115,907 |
| 2002 | 40,574 | 74,075 | 114,649 |
| 2003 | 42,241 | 71,357 | 113,598 |
| 2004 | 46,606 | 68,449 | 115,055 |
| Thereafter | 1,131,478 | 808,424 | 1,939,902 |
| Total | $1,374,617 | $1,177,379 | $2,551,996 |

### Current Year Defeasances

***Primary Government –***

On December 1, 1998, Henderson State University issued $2.68 million Board of Trustees of Henderson State University Student Fee Secured Refunding Bonds, Series 1998 to defease $2.615 million Student Fee Secured Refunding Bonds, Series 1992. All bond proceeds were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to reduce the aggregate debt service payment by approximately $400,000 over the next 18 years. The economic gain (difference between present value of the old and new debt service payments) resulting from the refunding is $300,000.

On December 1, 1998, University of Central Arkansas issued a $6.17 million Board of Trustees of University of Central Arkansas Academic Facilities Refunding Bond, Series 1998 to defease $1.29 million Refunding Bond, Series 1992B. Bond proceeds of $3.5 million were used for capital improvements relating to

technology fields, while proceeds of $800 thousand were used for construction of the Donald W. Reynolds Performance Hall. The remaining proceeds were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to reduce the aggregate debt service payment by approximately $500 thousand over the next six years. The economic gain (difference between present value of the old and new debt service payments) was approximately $10 thousand.

**Prior Defeasances**

***Primary Government -***

In prior years, the State defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $127 million are considered defeased at June 30, 1999.

***Component Units -***

In prior years, ADFA defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $78.1 million are considered defeased at June 30, 1999.

## NOTE 11: LEASES

The State has entered into various lease agreements with the private sector, primarily for buildings and equipment. These agreements are for various terms with most containing clauses indicating that their continuation is subject to continuing appropriation by the Legislature. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

The State also has lease agreements for buildings and equipment which are accounted for as capital leases. FASB Statement No. 13, *Accounting for Leases*, requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee. Capital leases for the nongovernmental funds are reported as a long-term obligation in those funds along with the related assets. Capital leases for the Governmental Funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group.

The State also has direct-financing lease agreements with ADFA. These leases are reported separately from other capital leases in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group.

Most of these leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, these leases are accounted for as capital leases and are considered non-cancelable for financial reporting purposes.

Future minimum commitments under operating and capital leases by fund type as of June 30, 1999, were as follows (expressed in thousands):

| | Capital Leases | |
|---|---|---|
| | GLTDAG | Higher Education Fund |
| Year Ending June 30: | | |
| 2000 | $ 7,017 | $ 2,049 |
| 2001 | 6,445 | 1,542 |
| 2002 | 6,285 | 1,144 |
| 2003 | 3,268 | 542 |
| 2004 | 2,795 | 249 |
| Thereafter | 5,975 | 59 |
| Total Minimum Lease Payments | 31,785 | 5,585 |
| Less: Interest | (5,493) | (706) |
| Present Value of Future Minimum Lease Payments | $ 26,292 | $ 4,879 |

| | Capital Leases with Component Unit | | |
|---|---|---|---|
| | GLTDAG | Proprietary Fund | Higher Education Fund |
| Year Ending June 30: | | | |
| 2000 | $ 7,747 | $ 239 | $ 150 |
| 2001 | 7,948 | 244 | 150 |
| 2002 | 7,948 | 242 | 150 |
| 2003 | 7,944 | 241 | 150 |
| 2004 | 7,929 | 244 | 150 |
| Thereafter | 62,451 | 1,932 | 404 |
| Total Minimum Lease Payments | 101,967 | 3,142 | 1,154 |
| Less: Interest | (30,860) | (1,106) | (207) |
| Present Value of Future Minimum Lease Payments | $ 71,107 | $ 2,036 | $ 947 |

| | Operating Leases | | |
|---|---|---|---|
| | General Government | Proprietary Fund | Higher Education Fund |
| Year Ending June 30: | | | |
| 2000 | $ 11,054 | $ 199 | $ 2,613 |
| 2001 | 7,860 | 83 | 1,762 |
| 2002 | 3,668 | | 1,208 |
| 2003 | 2,467 | | 1,210 |
| 2004 | 1,542 | | 822 |
| Thereafter | 6,610 | | 145 |
| Total Minimum Lease Payments | $ 33,201 | $ 282 | $ 7,760 |

## NOTE 12: FUND EQUITY

### *Designations*

Detail of designated general fund balance as of June 30, 1999, is as follows (expressed in thousands):

| | |
|---|---|
| Continuing appropriations | $ 80,216 |
| Budget stabilization | 1,327,161 |
| Total (memorandum only) | $ 1,407,377 |

Designations for budget stabilization reflect the intent of Arkansas financial laws with regard to future use of current financial resources.

### *Deficit Retained Earnings*

The WCC had a $14 million deficit in retained earnings as of June 30, 1999. The deficit was generated by a change in actuarial assumptions during the fiscal year ended June 30, 1997. If the deficit is not eliminated by normal operations, WCC has the ability to change the investment strategy to receive larger investment returns or increase the threshold of claims submitted to the WCC.

The Other Revolving Loan Funds had a $230 thousand deficit in retained earnings as of June 30, 1999. Management of the Other Revolving Loan Funds is confident that the deficits will be eliminated through normal operations.

### *Contributed Capital*

The changes in the State's contributed capital accounts for its proprietary funds were as follows:

| | Construction Assistance Revolving Loan Fund | Other Revolving Loan Funds | Total |
|---|---|---|---|
| Beginning balance, as adjusted | $114,504 | $5,931 | $120,435 |
| Capitalization of federal grants | 4,058 | 2,017 | 6,075 |
| Ending balance | $ 118,562 | $ 7,948 | $ 126,510 |

## NOTE 13: PENSIONS

***Plan Descriptions*** - The State contributes to three single-employer defined benefit pension plans: Arkansas Judicial Retirement Plan ("Judicial"), Arkansas Highway and Transportation Retirement Plan ("Highway") and State Police. State Police and Judicial are administered by Arkansas Public Employees Retirement System, and Highway is administered by the plan itself. Each plan provides retirement, disability, and death benefits, in accordance with benefit provisions as established and amended by State Statute (A.C.A.24). Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

| | | |
|---|---|---|
| Arkansas Judicial Retirement Plan | Arkansas Highway and Transportation Retirement Plan | Arkansas State Police Retirement Plan |
| One Union National Plaza<br>124 W. Capitol, 5th Floor<br>Little Rock, AR 72201<br>(501) 682-7855 | P. O. Box 2261<br>Little Rock, AR 72203<br>(501) 569-2000 | One Union National Plaza<br>124 W. Capitol, 5th Floor<br>Little Rock, AR 72201<br>(501) 682-7855 |

The State also contributes to two cost-sharing multiple-employer defined benefit plans: Teacher, administered by the Arkansas Teacher Retirement System Board of Trustees, and APERS, administered by the Arkansas Public Employees Retirement System Board of Trustees, which provide retirement, disability and death benefits, and annual cost of living adjustments to plan members and beneficiaries. Benefit provisions are established and amended by state statute (A.C.A.24). Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

| | |
|---|---|
| Arkansas Teacher Retirement Plan | Arkansas Public Employees Retirement Plan |
| 1400 West Third Street<br>Little Rock, AR 72201<br>(501) 682-1517 | One Union National Plaza<br>124 W. Capitol, 5th Floor<br>Little Rock, AR 72201<br>(501) 682-7855 |

For the year ended June 30, 1999, the payroll of State employees covered by the pension plans was approximately $815 million.

***Funding Policies*** - State statute establishes the contribution requirements of plan members and the State. The State's annual pension cost for the current year and related information for each plan is as follows:

| | Judicial | Teacher | State Police | Highway | APERS |
|---|---|---|---|---|---|
| Number of participating employers/contributing entities | 1 | 428 | 1 | 1 | 797 |
| Contribution rates for the fiscal year ended June 30, 1999 (% of covered payroll): | | | | | |
| State | 24.22 % | 12.00 % | 30.82 % | 12.90 % | 10.00 % |
| Plan members - contributory plans | 5.00-6.00% | 6.00 % | 0.00 % | 6.00 % | 6.00 % |
| Annual pension cost (in thousands) | $3,150 | $166,786 | $6,491 | $14,499 | $93,323 |
| Contributions made (in thousands) | $4,069 | $166,786 | $6,748 | $14,499 | $93,323 |

The required contribution amounts and the percentage contributed for Teacher and APERS for the current year and each of the two preceding years are as follows:

| Fiscal Year | Plan | Annual Required Contribution | Percentage Contributed |
|---|---|---|---|
| 1999 | Teacher | $166,786 | 100 % |
| | APERS | 93,323 | 100 % |
| 1998 | Teacher | $158,963 | 100 % |
| | APERS | 87,529 | 100 % |
| 1997 | Teacher | $153,546 | 100 % |
| | APERS | 82,051 | 100 % |

State Police and APERS consist of both a contributory plan, which has been in effect since the beginning of the plans, and is available to all persons who became members prior to January 1, 1978; and a non-contributory plan, which was created by Act 793 of 1977 and was effective January 1, 1978. The non-contributory plan applies automatically to all persons hired January 1, 1978, or later. All non-retired members of the State Police are now covered by non-contributory benefits. Members of the Teacher plan contribute 6% of their salaries, except for members who became members before July 1, 1971, who can contribute only on the first $7,800 of their annual salary; and effective July 1, 1993, all new members, including any former active members, were automatically enrolled as non-contributory members. By individual election, members of the Teacher plan may choose to contribute. Active members of the Judicial plan contribute 6% of their salaries. Members of the Judicial plan with 20 or more years of service and members age 65 or older with ten or more years of service do not contribute to the plan. Active members of the Highway plan contribute 6% of their salaries.

Included in the June 30, 1999, investment portfolio of APERS and the State Police plans are the following investments (other than these issued by the U.S. Government) in any one organization that represent 5% or more of plan net assets:

| | |
|---|---|
| State Police - Biam Group International Equity Fund | $ 31,990,866 |
| APERS - Brinson Equity Fund | 199,133,110 |
| S&P 500 Index Fund | 306,668,501 |
| Wellington Mortgage Backed Securities Fund | 373,956,459 |

The Teacher, Highway, and Judicial plans did not have investments of any commercial or industrial organization whose market value equals 5% or more of the individual plan's net assets available for benefits.

The State's 1999 contribution to APERS represented 75.1% of total contributions required of all participating entities. Beginning with the 1997 fiscal year, the State no longer contributes to Teacher. As required by Act 1194 of 1995, the State increased the local state supported school appropriations so that such retirement contributions come directly from the school districts.

The State's annual pension cost and net pension obligation to State Police for the current year is as follows (in thousands):

| | |
|---|---|
| Annual required contribution ("ARC") | $ 6,398 |
| Interest on net pension obligation | 424 |
| Adjustment to annual required contribution | (331) |
| Annual pension cost | 6,491 |
| Contributions made | 6,748 |
| Decrease in net pension obligation | (257) |
| Net pension obligation, beginning of year | 5,466 |
| Net pension obligation, end of year | $ 5,209 |

The State has a net pension asset of approximately $10.5 million for Judicial at June 30, 1999. For Highway, the statutory contributions made by the State equaled the annual required contributions ("ARC") required by GASB 27 for each of the fiscal years that began between December 15, 1986 and June 30, 1996, and therefore the State has neither a transition asset or liability.

No pension liability exists for Teacher or APERS, as the State's contributions to each respective plan for the year ending June 30, 1999, was equal to the ARC.

Three-year trend information for the single-employer plans is as follows:

| | Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|---|
| Judicial | 06/30/1999 | $ 3,150 | 129.17 % | $ (10,504) |
| | 06/30/1998 | 3,183 | 143.42 % | (10,493) |
| | 06/30/1997 | 3,613 | 148.93 % | (10,040) |
| State Police | 06/30/1999 | $ 6,491 | 103.96 % | $ 5,209 |
| | 06/30/1998 | 6,632 | 108.75 % | 5,466 |
| | 06/30/1997 | 7,066 | 86.48 % | 6,046 |
| Highway | 06/30/1999 | $14,499 | 100.00 % | N/A |
| | 06/30/1998 | 13,976 | 100.00 % | N/A |
| | 06/30/1997 | 14,851 | 100.00 % | N/A |

### *Higher Education*

All active higher education employees who work 20 or more hours a week have the option of participating in either APERS, Teacher or the Teachers Insurance Annuity Association - College Retirement Equities Fund ("TIAA-CREF") or the Fidelity Fund.

TIAA-CREF and the Fidelity Fund were established by the Board of Trustees of each respective college or university. These funds represent a defined contribution plan as set forth in Section 403(b) of the Internal Revenue Code. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Each college or university contributes a percentage of an employee's salary, ranging from 5% to 10%, to a TIAA-CREF or Fidelity Fund retirement account, allocated between the two funds according to the employee's choice. In addition, employees may make voluntary contributions of any amount up to the individual maximum allowance. During 1999, total employer contributions to TIAA-CREF and Fidelity were $34,283 thousand and $4,566 thousand, respectively. Employee contributions to TIAA-CREF and Fidelity were $28,883 thousand and $4,696 thousand, respectively.

## NOTE 14: SEGMENT INFORMATION - ENTERPRISE FUND

Segment financial information for the State's enterprise funds is as follows (expressed in thousands):

| Description | Workers' Compensation Commission | Construction Assistance Revolving Loan Fund | Other Revolving Loan Funds |
|---|---|---|---|
| Operating revenues | $ 19,098 | $ 10,211 | $ 447 |
| Depreciation and amortization | 210 | 259 | |
| Operating income (loss) | (9,244) | 2,689 | (502) |
| Operating transfers out | 162 | | |
| Net income (loss) | (2,676) | 2,689 | (502) |
| Contributed capital additions | | 4,058 | 2,017 |
| Fixed asset additions | 151 | | 54 |
| Net working capital | 142,440 | 242,026 | 7,625 |
| Total assets | 169,986 | 248,949 | 9,313 |
| Long-term liabilities payable from operating revenues | 170,156 | 118,058 | |
| Fund equity (deficit) | (14,022) | 126,007 | 7,718 |

## NOTE 15: COMPONENT UNIT DISCLOSURES

The financial statements do not include the financial position or results of operations of foundations or other organizations affiliated with certain higher education institutions. Such organizations are separate nonprofit entities incorporated in the State. Their purpose is to assist affiliated higher education institutions in performing their work and services. Oversight of each organization is the responsibility of separate and independently elected boards of directors not otherwise affiliated with their respective higher education institutions. In carrying out their responsibilities, the boards of directors of the organizations employ management, form policy, and maintain fiscal accountability over funds administered by their respective organizations.

Condensed financial statements of discretely presented component units at June 30, 1999, are as follows (expressed in thousands):

| | Arkansas Student Loan Authority | Arkansas Development Finance Authority | Total |
|---|---|---|---|
| **Balance Sheet** | | | |
| Assets: | | | |
| Other Assets | $ 236,025 | $ 1,556,841 | $ 1,792,866 |
| Fixed Assets, net | 20 | 475 | 495 |
| Total Assets | $ 236,045 | $ 1,557,316 | $ 1,793,361 |
| Liabilities: | | | |
| Other Liabilities | $ 3,933 | $ 59,199 | $ 63,132 |
| Revenue Bonds Payable | 219,781 | | 219,781 |
| Special Obligation Bonds Payable | | 1,376,337 | 1,376,337 |
| Total Liabilities | 223,714 | 1,435,536 | 1,659,250 |
| Fund Equity - | | | |
| Retained Earnings | 12,331 | 121,780 | 134,111 |
| Total Equity | 12,331 | 121,780 | 134,111 |
| Total Liabilities and Equity | $ 236,045 | $ 1,557,316 | $ 1,793,361 |
| **Statement of Operations** | | | |
| Operating Revenues | $ 17,215 | $ 81,489 | $ 98,704 |
| Operating Expenses | (13,513) | (104,086) | (117,599) |
| Depreciation and Amortization | (932) | (5,520) | (6,452) |
| Operating Income (Loss) | 2,770 | (28,117) | (25,347) |
| Non-Operating Revenues | | | |
| Operating Grants | | 17,182 | 17,182 |
| Net Income (Loss) | 2,770 | (10,935) | (8,165) |
| Equity - Beginning of Year, as Adjusted (Note 6) | 9,561 | 132,715 | 142,276 |
| Equity - End of Year | $ 12,331 | $ 121,780 | $ 134,111 |

The above discretely presented component units of the State do not issue classified balance sheets; therefore, information regarding current assets and current liabilities is unavailable.

## NOTE 16: RISK MANAGEMENT PROGRAM

The following describes the risk management programs administered by the State. There have been no significant reductions in insurance coverage from the prior year.

### Health and Life Plans

The State established the State Employees Insurance Advisory Committee (the "Committee") by Act 48 of 1972 and allowed the Committee to pursue self funding activities by Act 576 of 1975. The Committee provides comprehensive major medical care, prescription drug and life insurance (the "Plans") for employees of the State and its participating component units, as well as their dependents through the establishment of a variety of self-insured plans. The Committee also makes medical coverage available to retirees should they elect to continue such coverage at their own expense. The employee has the option of choosing among the various Plans. Coverage is funded by contributions from the State, participating component units, and participating employees and retirees to the Plans. The Plans are administered by third parties who are responsible for the processing of claims and administration of cost containment.

The Plans pay most expenses that are medically necessary and eligible for coverage based on usual, customary, and reasonable allowances. Claims are subject to specified annual deductible and co-payment requirements. The Plans are also subject to varying lifetime benefit maximums.

The Committee also acts as an intermediary for the public school employees' health insurance as offered by the various school districts throughout the State. In this capacity, the Committee received premium payments which are not included in the accompanying financial statements amounting to approximately $132 million during 1999. The Committee remits the premium payments to third party insurance companies who fully insure the public school employee group. The Committee provides prescription drug insurance to the public school employees and their dependents within the prescription drug plan offered to the employees of the State, its participating component units, and their dependents. The Committee assumes risk of loss and is the predominant participant in the Plans. Premiums are funded through contributions from the school districts and the public school employees.

Basic term life insurance (death benefit) is provided to all State employees with varying amounts of coverage based on the classification of the employee. This basic coverage is provided at no cost to the employee and is funded by contributions from the State. Additional amounts of coverage are available to the employees, retirees and their dependents and the cost of such additional coverage is funded by employee contributions. The plan is administered by a third party who is responsible for processing of claims.

Claim liabilities for the Plans for the employees of the State and the prescription drug plan for the public school employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the general fund. An analysis of changes in aggregate liabilities for claims and claims adjustment expenses for the current and prior fiscal year are as follows (expressed in thousands):

| | 1999 | 1998 |
|---|---|---|
| Claim liability, beginning of year | $ 16,252 | $ 18,913 |
| Incurred claims | 128,851 | 130,229 |
| Claims payments | (127,733) | (132,890) |
| Claim liability, end of year | $ 17,370 | $ 16,252 |

The Plans have not purchased any annuity contracts on behalf of claimants.

### Risk Management Office

The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies. Accordingly, State agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for property losses.

For those State buildings covered by commercial insurance, the building and contents are generally insured for the full amount of losses subject to varying deductible amounts up to $25 thousand per occurrence. Losses arising from earthquakes are generally insured for the full amount of losses subject to a deductible of 5% of the building's value. Certain State agencies have chosen not to purchase commercial insurance on certain buildings, and as such, losses are recorded as expenditures in the General Fund when paid.

The State does not purchase liability insurance coverage for claims arising from third party losses on State property as the State has sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission.

For those State vehicles covered by commercial insurance, the vehicle is generally insured for the full amount of losses subject to varying deductible amounts. Also, such commercial insurance generally provides coverage against liability losses up to $100 thousand per occurrence in state and $500 thousand per occurrence out of state. Certain State agencies have elected not to purchase commercial insurance for certain vehicles and losses on such vehicles are recorded as expenditures in the General Fund as paid. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

There have been no instances in the past three fiscal years wherein the amount of commercial insurance settlements have exceeded insurance coverage.

**State Claims Commission**

The State Claims Commission was established by State law to hear and adjudicate all claims against the State and its agencies and component units excluding those arising from workers' compensation law, employment security law and the acts of the various retirement plans. According to State law, only claims for actual damages are allowed. The Commission may authorize awards for actual damages up to $7.5 thousand without further approval while amounts exceeding $7.5 thousand must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the General Fund.

**State Workers' Compensation Plans**

The State's Workers' Compensation Program (the "Program") was created by State law to provide benefits to State employees injured on the job. All employees of the State and its component units are included in the Program. Prior to July 1, 1994, employees of state sponsored school districts in the State were also included in the plan, and the State continues to pay benefits to those employees injured prior to that date. An injury is covered under workers' compensation if it is caused by an accident that arose out of and in the course of employment. Losses payable by the Program include medical claims, loss of wages, disability and death benefits.

The Program is self-insured and is administered by the Public Employees Claims Division of the State Insurance Department. Each State agency is responsible for contributing to the Program each year an amount determined by the division based on past claims experience. The State's liability for claims at June 30, 1999, including claims incurred but not reported, is estimated to be approximately $66 million and is recorded in the General Long-Term Debt Account Group as a component of claims and judgments payable.

The State also provides two forms of loss protection to employers and insurance companies operating in the State to minimize workers' compensation claims paid for wage losses. The first such plan was created by state law and is known as the Death & Permanent Total Disability Trust Fund ("Disability Trust Fund"). The Disability Trust Fund pays wage loss benefits in excess of $75 thousand per case. The employer's primary

insurer is responsible for the first $75 thousand per case. The Disability Trust Fund is funded by taxes assessed on workers' compensation premiums earned by insurance companies operating in the State and by assessments on self-insured employers as if they were commercially insured. The liability of the Disability Trust Fund at June 30, 1999, is based on actuarial estimates of ultimate claim costs, for both reported and unreported claims, discounted at 5% and is recorded in the Workers' Compensation Commission Enterprise Fund.

The second such plan was created by State law and is known as the Second Injury Trust Fund. The Second Injury Trust Fund generally pays wage loss benefits for persons which experience a repeated injury of the same body part while employed by a different employer than that which he experienced the first injury. The purpose of the Second Injury Trust Fund is to encourage the employment of persons who have previously filed workers' compensation claims by protecting subsequent employers from wage loss claims arising from repeat injuries. The Second Injury Trust Fund is funded by taxes assessed on workers' compensation premiums earned by insurance companies operating in the state and by assessments on self-insured employers as if they were commercially insured. The claim liability is estimated by discounting at 5% the expected future claim payments of reported claims and is recorded in the Workers' Compensation Commission Enterprise Fund.

The Disability Trust Fund and the Second Injury Trust Fund are administered by the WCC. Changes in the combined balance of the Disability Trust Fund and Second Injury Trust Fund during the current fiscal year are as follows (expressed in thousands):

| | 1999 | 1998 |
|---|---|---|
| Claim liability, beginning of year | $ 159,735 | $ 152,179 |
| Incurred Claims | 18,260 | 15,715 |
| Claim Payments | (9,875) | (8,159) |
| Claim liability, end of year | $ 168,120 | $ 159,735 |

**Petroleum Storage Tank Trust Fund**

The Petroleum Storage Tank Trust Fund ("Storage Tank Fund") was established according to State law to provide owners and operators of petroleum storage tanks in the State protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund it must be registered with all fees paid and meet certain construction and spill protection and detection standards at the time of the release. The Storage Tank Fund will pay first party claims for corrective action up to $1 million per occurrence with a $25 thousand deductible as well as third party claims for damages up to $1 million per occurrence with a $25 thousand deductible. The Storage Tank Fund is funded by motor fuel taxes and fees paid by storage tank owners and operators. The first party claim liability is determined through the use of engineering estimates of the remaining corrective action for each site. The third party claim liability is estimated at the plan limits for each third party claim filed until actual damages are determined and the liability is recorded in the General Long-Term Debt Account Group.

Changes in the balance of the Storage Tank Fund claim liability during the current fiscal year are as follows (expressed in thousands):

| | 1999 | 1998 |
|---|---|---|
| Claim liability, beginning of year | $ 9,594 | $ 9,472 |
| Incurred Claims | 1,675 | 2,689 |
| Claim Payments | (2,824) | (2,567) |
| Claim liability, end of year | $ 8,445 | $ 9,594 |

**Higher Education Health Plans**

The System and Arkansas State University ("ASU") sponsor self-funded health plans for employees and their eligible dependents. All five System campuses, all ASU campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration and the System Foundation participate in the health insurance programs which are administered by third parties who are responsible for the processing of claims and administration of cost containment.

The universities pay a portion of the total premium for full time active employees, while retirees and former employees participate on a fully contributory basis.

Changes in the balance of the System and ASU claim liability during the current fiscal year are as follows (expressed in thousands):

| | 1999 | 1998 |
|---|---|---|
| Claim liability, beginning of year | $ 8,642 | $ 6,063 |
| Incurred Claims | 47,013 | 42,957 |
| Claim Payments | (45,415) | (40,378) |
| Claim liability, end of year | $ 10,240 | $ 8,642 |

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangement, the reinsurance carrier pays for claims for covered individuals which exceed specified limits. Such limits are $250 thousand and $100 thousand for the System and ASU, respectively.

The plans have not purchased any annuity contracts on behalf of claimants.

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

**Primary Government -**

***Litigation*** - The State, its agencies and employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged inmate wrongs, other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of state law and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $9.7 million for the payment of such claims. For other cases which it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $43.5 million.

The State is also involved in a federal school desegregation lawsuit. The State has accrued approximately $2.6 million for the settlement of these suits.

UAMS was notified that it was the subject of a review being conducted by the United States Department of Health and Human Services Office of Inspector General ("OIG"), under its Physicians at Teaching Hospitals ("PATH") initiative. This program was initiated by the OIG with the intention of reviewing all teaching hospitals in the United States. The program is focused on Medicare billing procedures relative to teaching physicians. UAMS has had initial meetings with the OIG and furnished certain information requested. Elsewhere in the United States, the OIG has settled with teaching hospitals for amounts considerably in excess of $1,000,000 and has found at least one teaching hospital to be without liability. In 1997 the OIG took steps to terminate certain ongoing audits and UAMS was advised that its audit was one selected for termination. However, a subsequent review of Medicare billings was commenced by the OIG. UAMS has recently been notified that this audit is being suspended by the OIG, however, to be reopened. UAMS management believes that its billing practices comply with all applicable laws and regulations and that the PATH initiative will not have a material effect on the financial position of UAMS.

It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the State, including those discussed above. Based on the current status of all of these legal proceedings for which accruals have not been made in the State's financial statements, it is the opinion of management and the Attorney General that the proceedings will not have a material adverse impact on the State's financial position.

***Federal Grants*** - The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and federal revenue sharing entitlements. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits under either the Federal Single Audit Act or by grantor agencies of the Federal Government or their designees. At June 30, 1999, the amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the State expects such amounts, if any, to be immaterial.

***Loan Forgiveness*** - Under the provisions of the Pulaski County Desegregation Settlement Agreement, the State agreed to provide loans to the Little Rock School District ("LRSD"). If the composite test scores of the LRSD minority students reach a specified level before December 1, 2001, any outstanding loan balance will be forgiven. The standard by which the test scores will be measured has yet to be determined by the parties. As of June 30, 1999, the State's loan receivable is $20 million and is recorded in the General Fund.

***Construction and Other Commitments*** - At June 30, 1999, the State has commitments of approximately $633 million for construction and other contracts. The Soil and Water Conservation Commission has approved $37.6 million in loans for projects for water systems, waste water, or pollution abatement that have not been disbursed at June 30, 1999. Teacher has also extended lines of credit in the amount of $5 million to ADFA, all of which was unused at June 30, 1999.

***Bond Guarantees*** - The AEDC Bond Reserve Guaranty Fund is used to guarantee amortization on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 1999, total bonds guaranteed by the AEDC Bond Guaranty Reserve Fund were approximately $38.8 million. AEDC has committed to guarantee $2 million in industrial development revenue bonds that have not closed at June 30, 1999.

***Claims Incurred but not Reported*** - The State has established a liability for both reported and unreported insured events, which includes estimates of future payments of claims and related claim adjustment expenses, based on the estimated ultimate cost of settling claims. In estimating its liability for incurred but unpaid claims, the State considers prior experience, industry information and currently recognized trends

affecting data specific to the State. Because actual claim costs depend upon such factors as duration of worker disability, medical cost trends, occupational disease and inflation, the process used in computing the ultimate cost of settling claims and expense for administering claims is necessarily based on estimates.

***Compensated Absences*** - State employees earn vacation leave benefits on the basis of length of service time. Subject to certain restrictions, state employees are compensated for unused vacation time upon leaving the State's employment. Unused vacation time for employees of the governmental funds is accrued in the General Long-Term Debt Account Group.

***Arbitrage Rebates*** - The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. The Construction Assistance Revolving Loan Fund and ASLA have made provisions for revenues above the rebate limit which must be remitted to the Federal Government.

**NOTE 18: SUBSEQUENT EVENTS**

***Component Units*** - Subsequent to June 30, 1999, ADFA issued approximately $65 million in special obligation bonds in the Single Family Housing Program Fund, $23 million in special obligation bonds in the Multi-Family Housing Program Fund, and $24 million in special obligation bonds in the Economic Development Programs Fund.

* * * * * *

## Required Supplementary Information
## Schedule of Funding Progress
## (Expressed in Thousands)

| iscal Year | Plan | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL (Overfunded) as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|---|---|
| 1999 | Judicial | 06/30/1999 | $ 91,783 | $ 82,775 | $ (9,008) | 110.9 % | $ 13,891 | (64.8)% |
| | State Police | 06/30/1999 | 201,751 | 221,167 | 19,416 | 91.2 % | 20,388 | 95.2 % |
| | Highway | 06/30/1999 | 755,039 | 727,900 | (27,139) | 103.7 % | 105,232 | (25.8)% |
| 1998 | Judicial | 06/30/1998 | $ 77,175 | $ 71,274 | $ (5,901) | 108.3 % | $ 13,084 | (45.1)% |
| | State Police | 06/30/1998 | 182,997 | 204,098 | 21,101 | 89.7 % | 19,817 | 106.5 % |
| | Highway | 06/30/1998 | 653,028 | 647,000 | (6,028) | 100.9 % | 104,520 | (5.8)% |
| 1997 | Judicial | 06/30/1997 | $ 63,285 | $ 65,657 | $ 2,372 | 96.4 % | $ 12,422 | 19.1 % |
| | State Police | 06/30/1997 | 164,660 | 190,728 | 26,068 | 86.3 % | 18,178 | 143.4 % |
| | Highway | 06/30/1997 | 580,316 | 605,100 | 24,784 | 95.9 % | 112,266 | 22.1 % |

**Note to Required Supplementary Information**

***Actuarial Assumptions*** - The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | Judicial | State Police | Highway |
|---|---|---|---|
| Actuarial valuation date | June 30, 1999 | June 30, 1999 | June 30, 1999 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization method | Level Percentage of Pay, Closed | Level Percentage of Pay, Closed | Level Percentage of Pay, Open |
| Remaining amortization period | N/A** | 23 years | N/A |
| Asset valuation method | 4 Year Smoothed Market | 4 Year Smoothed Market | 5 Year Smoothed Market |
| Actuarial assumptions: | | | |
| Inflation rate | 5.00 % | 4.75 % | 4.50 % |
| Investment rate of return* | 7.50 % | 7.75 % | 8.00 % |
| Projected salary increases* | 5 to 7.2% | 5.75 to 9.55% | 5 to 11% |
| Post retirement benefit increases | 3.00 % | 3.00 % | 3.00 % |

*Includes assumed inflation.

**The Judicial Board of Trustees has elected to segregate excess funding amounts in a contingency reserve and to exclude these amounts in the determination of employer contribution rates. Therefore, amortization of the net pension asset of approximately $10.5 million is not reflected in the computation of the annual required contribution.

**Required Supplementary Information**
**Year 2000 Information (Unaudited)**

The year 2000 issue arises because most computer software programs allocate two digits to the year date field on the assumption that the first two digits will be 19. Without reprogramming, such programs will interpret the year 2000 as the year 1900. Also, some programs may be unable to recognize that the year 2000 is a leap year.

The year 2000 issue may affect electronic equipment containing computer chips that have date recognition features—such as environmental systems, elevators, and vehicles—as well as computer software programs. In addition, the year 2000 issue affects not only computer applications and equipment under the State's direct control but also the systems of the entities with which the State transacts business. Some the State's systems/equipment affected by the year 2000 issue are critical to the continued and uninterrupted operation of State government.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the State is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that parties with whom the State does business will be year 2000 ready.

At any given time, work to address the year 2000 issue with respect to each system deemed mission-critical (i.e., critical to conducting the State's operations) falls predominantly within one of the following stages of work:

(i) Awareness stage - Establishing a budget and project plan for dealing with the year 2000 issue.

(ii) Assessment stage - Identifying the systems and components for which year 2000 work is needed.

(iii) Remediation stage - Making changes to systems/equipment.

(iv) Validation/testing stage - Validating and testing changes that were made during the remediation stage.

The following paragraphs summarize year 2000 stage-of-work data for the State's mission-critical systems/equipment as of June 30, 1999.

***Primary Government -***

The State of Arkansas began its year 2000 work in mid 1996 with inventory, assessment and project planning work related to its mission-critical systems. The awareness and assessment phases were completed in late 1996 resulting in estimates for resources and timing. While the Department of Information Systems ("DIS") has assumed a leadership role in the year 2000 issue, many of the duties have been contracted to outside vendors.

The estimates derived from the awareness and assessment stages were used to gain an appropriation of $10 million from the Arkansas General Assembly in March 1997. These funds were expended and an additional $1 million was appropriated by the General Assembly in 1999.

In April 1998 planning began for an independent review of the readiness (validation) of State agencies for the year 2000 Phase I. The review of the largest agencies was completed in July of 1998. Of the 40 agencies reviewed in this Phase I, 34 agencies received results where no urgent action was required. Six agencies received results indicating attention was needed.

In most cases, the needs identified were for more detailed documentation or additional resources. Most of these needs have been either partially or completely met as of this report date. A follow-up review of the six agencies identified in Phase I was conducted in December 1998.

Phase II of the review focused on smaller state agencies and was completed in November 1998. No agencies received unsatisfactory reviews.

An overall resource deficit of approximately $15 million was identified from Phases I and II. Further refinement has indicated that the unidentified resources are closer to $13.5 million. A supplemental appropriation was requested in January 1999 and later received to fund such projected deficits.

Details of the findings for any specific agency are available from the DIS, Year 2000 Program Office at 501-682-4976 or at One Capitol Mall, Little Rock, Arkansas. The findings will be maintained current, throughout 1999 with periodic reports from agencies. As needed, repeat reviews will be conducted.

Many of the State's most mission critical systems are maintained by DIS. As of the date of this report those systems are approximately 98% complete for year 2000 remediation and validation/testing. Specific details of individual applications may be obtained from the Year 2000 Program Office.

In June 1999, DIS began performing an Independent Verification and Validation (IV & V) of all DIS supported mainframe systems. IV & V examined remediated code to locate potential date-related errors that were previously overlooked. DIS developers completed the recommended code modifications in September 1999.

In June 1998, an independent review of the readiness (validation) of the publicly supported colleges and universities began. This review was completed in January 1999. As of June 30, 1998, the publicly supported colleges and universities are approximately 60% complete for year 2000 remediation and validation/testing. Since that time, no centralized review of the colleges and universities has occurred.

Because of the size and complexity of the year 2000 problem, certain failures can be expected. To mitigate this risk, DIS has issued a policy that no leave time will be authorized for employees from December 1, 1999 to January 31, 2000. This will ensure that maximum resources can be directed at residual problems. Also, contingency planning for unanticipated failures of mission-critical applications will be required. With these measures, it is expected that any residual failures can be repaired or workarounds can be utilized to prevent any adverse impact to State operation.

***Component Units* -**

ASLA has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting ASLA operations. ASLA has addressed all year 2000 issues related to its financial, payroll, and human resource systems by implementing and testing upgraded compliant versions of the existing systems during 1999.

Because third party failures could have a material impact on ASLA's ability to conduct business, management has been corresponding with all critical business partners to verify that plans are being developed to address the year 2000 issue. Such correspondence has been evaluated and assessed by ASLA and is being categorized based upon readiness for the year 2000 issues and prioritized in order of significance.

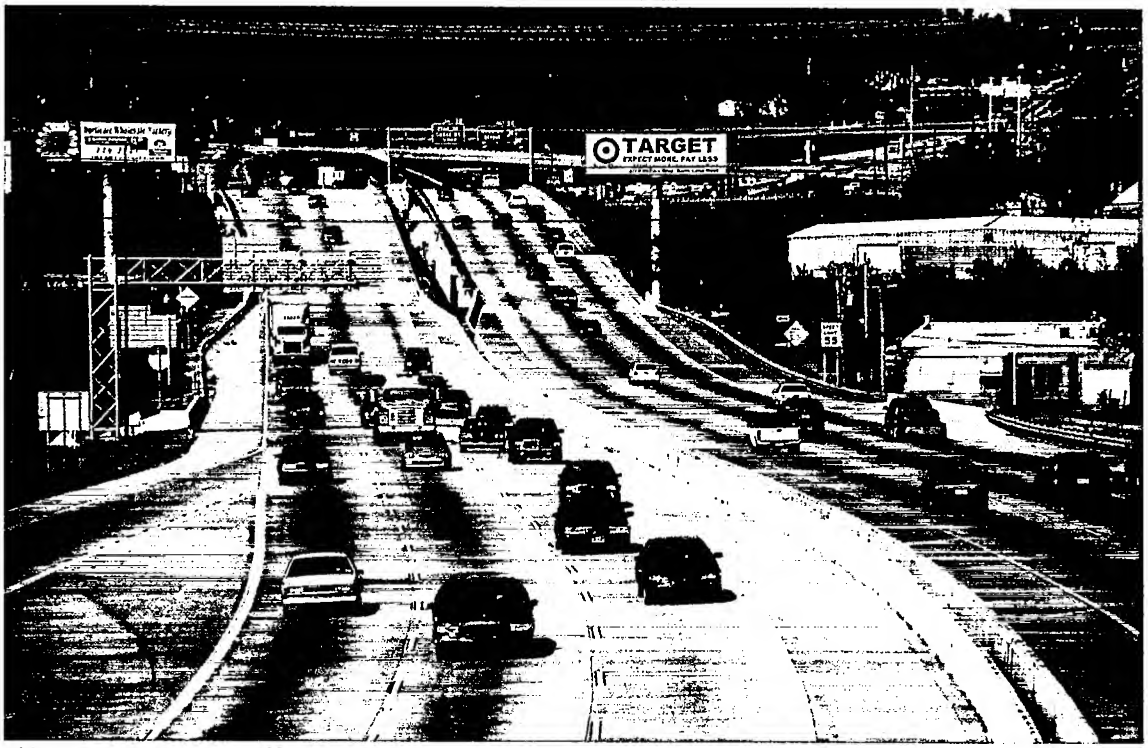
ADFA began its year 2000 work in mid-1996 with inventory, assessment and project planning work related to its mission-critical systems. The awareness and assessment phases were completed in late 1996 resulting in estimates for resources and training. The Authority determined internal resources would primarily be used to reprogram or replace, test and implement hardware and software changes for year 2000 modifications. Internal resources include both employees of the Authority and resources provided by the State of Arkansas. A budget for external resources, such as outside validation and software upgrades necessary to address the year 2000 issue, was not formally established during the awareness and assessment phases. However, it is estimated less than $100,000 has been expended from the general fund for external resources related to the year 2000 issue. ADFA does not anticipate any significant expenditures related to year 2000 work after year end through December 31, 1999.

In August 1998 planning began for an independent review of the readiness (validation) of ADFA for the year 2000 issue. This review was completed in June 1999 with no urgent action required. The primary suggestion resulting from this review was for ADFA to identify and include in its contingency plan manual processes for its most mission critical business functions should ADFA's network not be functional.

ADFA continues to monitor third party vendors for indication of year 2000 readiness. As of June 30, 1999, ADFA estimated over 80% of ADFA's third party vendors were compliant with regard to year 2000 readiness. In addition, as of June 30, 1999, ADFA continues researching and downloading applicable service packs on workstations as necessary, as a further prevention of any possible minimal interruptions.

Because of the size and complexity of the year 2000 problem, certain failures can be expected. To mitigate this risk, certain members of ADFA's staff will be required to (1) pre-test all mission-critical software packages November 30, 1999, in a mirrored ADFA network environment (simulated lab) operating in the first two months of the year 2000, and (2) to test critical software packages remotely the first three days of the year 2000, to ensure all mission critical software is functioning prior to the first business day of the year 2000. If remote access is unavailable, these staff members will report to ADFA's office to complete the testing. If there is power or system failure, these tests will be performed upon restoration of service.

# Financial Section– Combining Financial Statements & Schedules

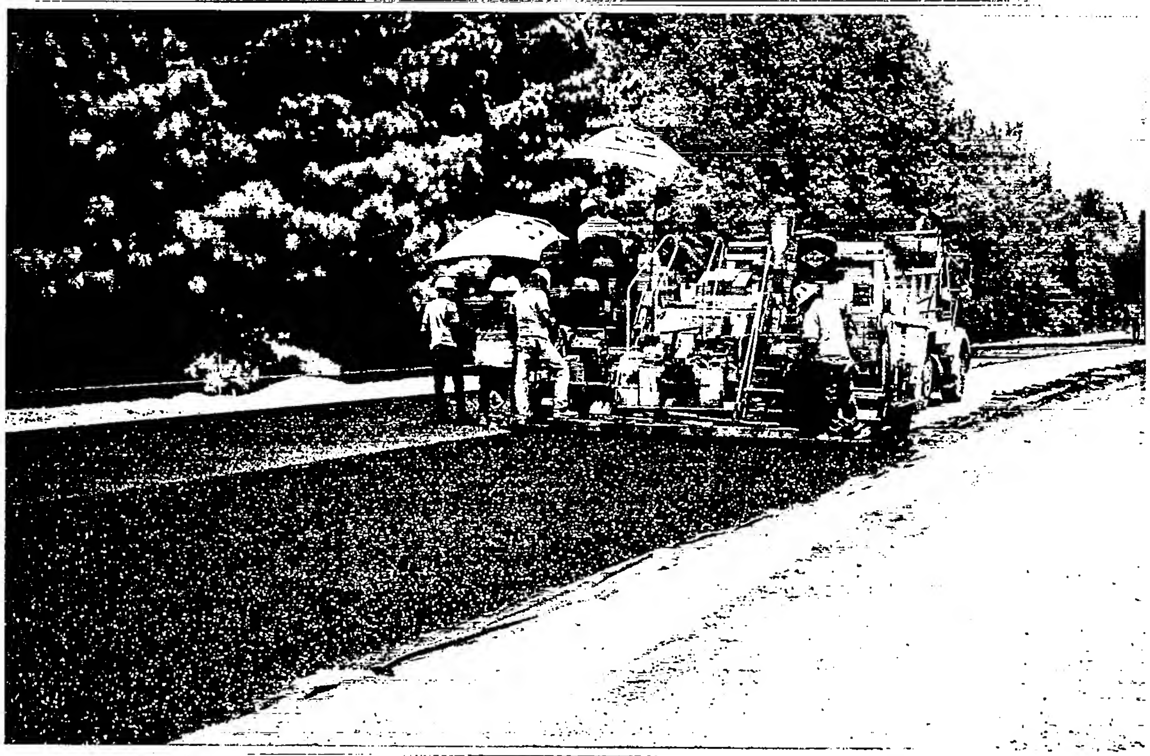



**I-630 – Pulaski County**

Portions of I-630, Little Rock's crosstown freeway, now carries between 80,000 and 100,000 vehicles per day.

GREAT SEAL OF THE STATE OF ARKANSAS

# Enterprise Funds



**I-30 South of Malvern**

Arkansas was the first state in the country to complete its allotment of interstate highway miles. Reconstruction of that system, as seen here south of Malvern, cost more than twice as much per mile as the original construction.

**ENTERPRISE FUNDS**

The enterprise funds are used to account for operations of those state agencies and/or programs providing goods or services to the general public or a user-charge basis or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds consist of the following:

***Workers' Compensation Commission*** - This agency is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment.

***Construction Assistance Revolving Loan Fund*** - This program is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities.

***Other Revolving Loan Funds*** - These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping, and/or rehabilitation of water systems and the financing of capitalizable educational and general projects for community and technical colleges.

# Enterprise Funds
# Combining Balance Sheet

**June 30, 1999**
**(Expressed in Thousands)**

| | Workers' Compensation Commission | Construction Assistance Revolving Loan Fund | Other Revolving Loan Funds | Total |
|---|---|---|---|---|
| ASSETS: | | | | |
| Cash and cash equivalents | $144,545 | $ 45,114 | $ 7,741 | $197,400 |
| Investments | | 31,304 | | 31,304 |
| Receivables, net: | | | | |
| Accounts | 9,935 | 69 | | 10,004 |
| Loans | | 169,747 | 1,428 | 171,175 |
| Investment related | 1,812 | 676 | 51 | 2,539 |
| Fixed assets, net | 2,399 | | 93 | 2,492 |
| Other assets | 11,295 | 2,039 | | 13,334 |
| TOTAL ASSETS | $169,986 | $248,949 | $ 9,313 | $428,248 |
| LIABILITIES, EQUITY AND OTHER CREDITS: | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 475 | $ 482 | $ 1,595 | $ 2,552 |
| Accrued and other liabilities | 13,377 | 510 | | 13,887 |
| Deferred revenues | | 3,892 | | 3,892 |
| Workers' compensation benefits payable | 168,120 | | | 168,120 |
| Capital leases | 2,036 | | | 2,036 |
| Special obligation bonds payable | | 118,058 | | 118,058 |
| Total liabilities | 184,008 | 122,942 | 1,595 | 308,545 |
| Equity and other credits: | | | | |
| Retained earnings (deficit) unreserved | (14,022) | 7,445 | (230) | (6,807) |
| Contributed capital | | 118,562 | 7,948 | 126,510 |
| Total equity (deficit) and other credits | (14,022) | 126,007 | 7,718 | 119,703 |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | $169,986 | $248,949 | $ 9,313 | $428,248 |

# Enterprise Funds
## Combining Statement of Revenues, Expenses and Changes in Retained Earnings

**For the Fiscal Year Ended June 30, 1999**
**(Expressed in Thousands)**

| | Workers' Compensation Commission | Construction Assistance Revolving Loan Fund | Other Revolving Loan Funds | Total |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Licenses, permits and fees | $ 7,888 | | | $ 7,888 |
| Investment earnings | | $ 8,549 | $ 447 | 8,996 |
| Insurance tax | 11,100 | | | 11,100 |
| Other | 110 | 1,662 | | 1,772 |
| Total Operating Revenues | 19,098 | 10,211 | 447 | 29,756 |
| OPERATING EXPENSES: | | | | |
| General and administrative | 28,132 | 1,634 | 949 | 30,715 |
| Interest | | 5,629 | | 5,629 |
| Depreciation | 210 | | | 210 |
| Amortization | | 259 | | 259 |
| Total Operating Expenses | 28,342 | 7,522 | 949 | 36,813 |
| Operating Income (Loss) | (9,244) | 2,689 | (502) | (7,057) |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Investment earnings | 6,865 | | | 6,865 |
| Interest | (135) | | | (135) |
| Total Non-Operating Revenue | 6,730 | | | 6,730 |
| Income (Loss) Before Operating Transfers | (2,514) | 2,689 | (502) | (327) |
| OPERATING TRANSFERS - | | | | |
| Operating transfers out - primary government | (162) | | | (162) |
| NET INCOME (LOSS) | (2,676) | 2,689 | (502) | (489) |
| RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR, AS ADJUSTED | (11,346) | 4,756 | 272 | (6,318) |
| RETAINED EARNINGS (DEFICIT) AT END OF YEAR | $ (14,022) | $ 7,445 | $(230) | $ (6,807) |

# Enterprise Funds
## Combining Statement of Cash Flows
**For the Fiscal Year Ended June 30, 1999**
**(Expressed in Thousands)**

| | Workers' Compensation Commission | Construction Assistance Revolving Loan Fund | Other Revolving Loan Funds | Total |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | $ (9,244) | $ 2,689 | $ (502) | $ (7,057) |
| Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities: | | | | |
| Depreciation, accretion and amortization | 210 | 259 | 64 | 533 |
| Loss on disposals of assets | 257 | | | 257 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 770 | 342 | 3 | 1,115 |
| Investment related receivable | 38 | (142) | (2) | (106) |
| Other assets | (36) | (363) | | (399) |
| Accounts payable and accrued expenses | (33) | 544 | 68 | 579 |
| Workers' compensation benefits payable | 8,384 | | | 8,384 |
| Other liabilities | | (475) | | (475) |
| Net Cash Provided (Used) by Operating Activities | 346 | 2,854 | (369) | 2,831 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Operating transfers out to other funds | (162) | | | (162) |
| Interest expense | (134) | | | (134) |
| Net Cash Used by Non-capital Financing Activities | (296) | | | (296) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Proceeds from bond issuance | | 19,810 | | 19,810 |
| Repayment of bonds | | (3,155) | | (3,155) |
| Proceeds from grants, entitlements and shared revenues | | 4,058 | 2,017 | 6,075 |
| Capital lease obligation | (105) | | | (105) |
| Acquisition of capital assets | (151) | | (54) | (205) |
| Net Cash Provided (Used) for Capital and Related Financing Activities | (256) | 20,713 | 1,963 | 22,420 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchase of investments | | (19,240) | | (19,240) |
| Investment earnings | 6,864 | | | 6,864 |
| Proceeds from sales and maturities of investments | | 2,776 | | 2,776 |
| Net (increase) decrease in loans | | (1,038) | 810 | (228) |
| Net Cash Provided (Used) by Investing Activities | 6,864 | (17,502) | 810 | (9,828) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 6,658 | 6,065 | 2,404 | 15,127 |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | 137,887 | 39,049 | 5,337 | 182,273 |
| End of year | $144,545 | $ 45,114 | $7,741 | $197,400 |


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Trust & Agency Funds

**Highway 65 – Searcy County**

U.S. Highway 65, on the state's major north-south arteries, snakes its way through the beautiful Ozark Mountains in Searcy County.

## TRUST AND AGENCY FUNDS

Trust and agency funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals, private organizations, or other governments and/or funds. The trust and agency funds consist of the following:

***Expendable Trust Fund*** - This fund is accounted for in essentially the same manner as governmental funds and is administered by the Arkansas Employment Security Department to eligible unemployed workers.

***Pension Trust Funds*** - These funds are accounted for in essentially the same manner as proprietary funds, and includes Judicial, Teacher, State Police, Highway, and APERS retirement plans.

***Agency Funds*** - These funds are custodial in nature and do not involve measurement of operations. Included in these funds are assets held by the Insurance Department and various other state agencies.


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Trust and Agency Funds
# Combining Balance Sheet

**June 30, 1999**
**(Expressed in Thousands)**

| | Expendable Trust | Pension Trust | | |
|---|---|---|---|---|
| | Employment Security Division | Judicial | Teacher | State Police |
| ASSETS: | | | | |
| Cash and cash equivalents | $239,596 | $ 3,588 | $ 359,503 | $ 66,248 |
| Investments | | 99,624 | 7,886,238 | 215,855 |
| Receivables, net: | | | | |
| Accounts | 48,488 | | 27 | |
| Employer | | | 4,221 | 175 |
| Employee | | | 5,042 | |
| Investment related | | 1,037 | 231,813 | 2,791 |
| Due from other governments | 5,707 | | | |
| Due from other funds - primary government | 229 | | | |
| Advances to other funds - primary government | | | 22,923 | |
| Fixed assets, net | | | 817 | |
| Other assets | | | | |
| TOTAL ASSETS | $294,020 | $ 104,249 | $ 8,510,584 | $285,069 |
| LIABILITIES AND FUND BALANCE: | | | | |
| Liabilities: | | | | |
| Accounts payable | | $ 467 | $ 16 | |
| Accrued and other liabilities | $ 45,045 | | 1,107,926 | $ 74,598 |
| Due to other governments | 10 | | | |
| Due to other funds - primary government | 93 | | | |
| Agency liabilities | | | | |
| Total Liabilities | 45,148 | 467 | 1,107,942 | 74,598 |
| Fund balance: | | | | |
| Reserved for unemployment compensation | 248,872 | | | |
| Reserved for employee pension benefits | | 103,782 | 7,402,642 | 210,471 |
| Total Fund Balance | 248,872 | 103,782 | 7,402,642 | 210,471 |
| TOTAL LIABILITIES AND FUND BALANCE | $294,020 | $ 104,249 | $ 8,510,584 | $285,069 |

| | | Agency Funds | | |
|---|---|---|---|---|
| Highway | APERS | Insurance Department | Other Agencies | Total |
| $ 25,340 | $ 232,610 | $ 26,165 | $ 34,970 | $ 988,020 |
| 835,926 | 4,129,445 | 416,691 | 575 | 13,584,354 |
| | | | | 48,515 |
| 1,065 | 3,601 | | | 9,062 |
| 327 | | | | 5,369 |
| 7,684 | 36,322 | 13 | | 279,660 |
| | | | 94 | 5,801 |
| | | | | 229 |
| | | | | 22,923 |
| | 133 | | | 950 |
| | 8 | | | 8 |
| $870,342 | $ 4,402,119 | $442,869 | $ 35,639 | $ 14,944,891 |
| | | | | $ 483 |
| $ 10 | $ 496,123 | | | 1,723,702 |
| | | | $ 51 | 61 |
| | | | | 93 |
| | | $442,869 | 35,588 | 478,457 |
| 10 | 496,123 | 442,869 | 35,639 | 2,202,796 |
| | | | | 248,872 |
| 870,332 | 3,905,996 | | | 12,493,223 |
| 870,332 | 3,905,996 | | | 12,742,095 |
| $870,342 | $ 4,402,119 | $442,869 | $ 35,639 | $ 14,944,891 |

# Pension Trust Funds
# Combining Statement of Changes in Plan Net Assets Held in Trust for Pension Benefits

### For the Fiscal Year Ended June 30, 1999
### (Expressed in Thousands)

| | Judicial | Teacher | State Police | Highway | APERS | Total |
|---|---|---|---|---|---|---|
| ADDITIONS: | | | | | | |
| Contributions: | | | | | | |
| Employer | $ 4,069 | $ 166,786 | $ 6,748 | $ 14,499 | $ 93,323 | $ 285,425 |
| Employee | 685 | 50,842 | | 6,925 | 453 | 58,905 |
| Total Contributions | 4,754 | 217,628 | 6,748 | 21,424 | 93,776 | 344,330 |
| Investment income: | | | | | | |
| Net appreciation in fair value of investments | 9,268 | 600,311 | 9,854 | 93,040 | 194,252 | 906,725 |
| Interest | 2,881 | 134,581 | 5,427 | 30,891 | 80,380 | 254,160 |
| Dividends | 487 | 60,948 | 1,476 | 1,344 | 17,846 | 82,101 |
| Real estate operating income (loss) | | 1,928 | | | (98) | 1,830 |
| Other | | 27,933 | 3,183 | 377 | 26,345 | 57,838 |
| Less investment expense | (429) | (43,044) | (3,772) | (1,777) | (36,783) | (85,805) |
| Net Investment Income | 12,207 | 782,657 | 16,168 | 123,875 | 281,942 | 1,216,849 |
| Other additions - Miscellaneous revenues | 148 | 1,717 | 60 | | 7,494 | 9,419 |
| TOTAL ADDITIONS | 17,109 | 1,002,002 | 22,976 | 145,299 | 383,212 | 1,570,598 |
| DEDUCTIONS: | | | | | | |
| Annuity benefits | 3,303 | 243,874 | 7,731 | 27,734 | 99,225 | 381,867 |
| Refunds of employee contributions | 75 | 3,405 | | 1,219 | 56 | 4,755 |
| Administrative expenses | 38 | 7,640 | 56 | | 3,503 | 11,237 |
| Other deductions | | | | 4,986 | 70 | 5,056 |
| TOTAL DEDUCTIONS | 3,416 | 254,919 | 7,787 | 33,939 | 102,854 | 402,915 |
| NET INCREASE | 13,693 | 747,083 | 15,189 | 111,360 | 280,358 | 1,167,683 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT BEGINNING OF YEAR | 90,089 | 6,655,559 | 195,282 | 758,972 | 3,625,638 | 11,325,540 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AT END OF YEAR | $ 103,782 | $ 7,402,642 | $210,471 | $870,332 | $ 3,905,996 | $ 12,493,223 |

# Pension Trust Funds
# Statement of Net Plan Assets

**June 30, 1999**
**(Expressed in Thousands)**

| | Judicial | Teacher | State Police | Highway | APERS |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 3,588 | $ 359,503 | $ 66,248 | $ 25,340 | $ 232,610 |
| Investments | 99,624 | 7,886,238 | 215,855 | 835,926 | 4,129,445 |
| Receivables, net: | | | | | |
| Accounts | | 27 | | | |
| Employer | | 4,221 | 175 | 1,065 | 3,601 |
| Employee | | 5,042 | | 327 | |
| Investment related | 1,037 | 231,813 | 2,791 | 7,684 | 36,322 |
| Advances to other funds - primary government | | 22,923 | | | |
| Fixed assets, net | | 817 | | | 133 |
| Other assets | | | | | 8 |
| Total Assets | $ 104,249 | $ 8,510,584 | $285,069 | $870,342 | $ 4,402,119 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 467 | $ 16 | | | |
| Accrued and other liabilities | | 1,107,926 | $ 74,598 | $ 10 | $ 496,123 |
| Total Liabilities | 467 | 1,107,942 | 74,598 | 10 | 496,123 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | $ 103,782 | $ 7,402,642 | $210,471 | $870,332 | $ 3,905,996 |

# Agency Funds
# Combining Statement of Changes in Assets and Liabilities

### For the Fiscal Year Ended June 30, 1999
### (Expressed in Thousands)

| | Balance June 30, 1998 | Additions | Deductions | Balance June 30, 1999 |
|---|---|---|---|---|
| INSURANCE DEPARTMENT: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 25,902 | $ 782 | $ 519 | $ 26,165 |
| Investments | 412,085 | 4,606 | | 416,691 |
| Investment related receivables | 19 | | 6 | 13 |
| TOTAL | $438,006 | $ 5,388 | $ 525 | $442,869 |
| Liabilities - | | | | |
| Agency liabilities | $438,006 | $ 5,388 | $ 525 | $442,869 |
| OTHER AGENCIES: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 49,417 | $ 2,521,453 | $ 2,535,900 | $ 34,970 |
| Investments | 575 | | | 575 |
| Due from other governments | 67 | 27 | | 94 |
| TOTAL | $ 50,059 | $ 2,521,480 | $ 2,535,900 | $ 35,639 |
| Liabilities: | | | | |
| Due to other governments | $ 59 | | $ 8 | $ 51 |
| Agency liabilities | 50,000 | $ 2,521,480 | 2,535,892 | 35,588 |
| TOTAL | $ 50,059 | $ 2,521,480 | $ 2,535,900 | $ 35,639 |

# Higher Education Fund

Twin Groves off Highway 65

Arkansas has made great strides in recent years in replacing older, less efficient bridges with newer, safer ones.

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

AHTD

## Higher Education Fund

***State Board of Higher Education*** - The State Board of Higher Education is empowered with the duty to determine, control, supervise and manage the financial, business and educational policies and affairs of the state institutions of Higher Education under its jurisdiction. These institutions are as follows:

### State Colleges and Universities:

Four Year:

- University of Arkansas System
  - Regional Campuses of University of Arkansas:
    - University of Arkansas at Fayetteville
    - University of Arkansas at Little Rock
    - University of Arkansas at Monticello
    - University of Arkansas at Pine Bluff
  - Specialized Institutions:
    - University of Arkansas School of Law
    - University of Arkansas for Medical Sciences
- Arkansas State University
- Arkansas Tech University
- Henderson State University
- Southern Arkansas University
- University of Central Arkansas

Community Colleges:

- East Arkansas Community College
- Garland County Community College
- Mississippi County Community College
- North Arkansas College
- Northwest Arkansas Community College
- Phillips Community College of the U of A
- Rich Mountain Community College
- Westark College
- South Arkansas Community College

Two Year Branches:

- Southern Arkansas University - Tech
- Arkansas State University - Beebe
- Arkansas State University - Mountain Home
- Black River Technical College
- Cossatot Technical College
- Ozarka College
- Petit Jean College
- Ouachita Technical College
- University of Arkansas Community College at Hope
- Mid-South Community College
- Southeast Arkansas College
- Pulaski Technical College
- University of Arkansas Community College at Batesville


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

# Higher Education Fund
# Combining Balance Sheet

**June 30, 1999**
**(Expressed in Thousands)**

| | Current Funds | | | |
|---|---|---|---|---|
| | Unrestricted | Restricted | Loan | Endowment and Similar |
| ASSETS: | | | | |
| Cash and cash equivalents | $127,896 | $ 15,042 | $ 3,238 | $ 4,294 |
| Investments | 49,395 | 17,484 | 2,875 | 118,442 |
| Receivables, net: | | | | |
| Accounts | 106,249 | 23,850 | 8,680 | 38 |
| Notes and deposits | 2,547 | 14 | 35,398 | |
| Investment related | 171 | 2 | 1,031 | |
| Due from other funds - primary government | 4,022 | | | |
| Due from other funds - higher education | 8,037 | 159 | 5 | |
| Inventories | 16,013 | 667 | | |
| Fixed assets, net | | | | |
| Other assets | 8,488 | 590 | 155 | 784 |
| Total assets | $322,818 | $ 57,808 | $ 51,382 | $ 123,558 |
| LIABILITIES, EQUITY AND OTHER CREDITS: | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 47,551 | $ 3,038 | $ 112 | |
| Accrued and other liabilities | 66,847 | 1,623 | 451 | $ 802 |
| Deferred revenues | 12,289 | 1,266 | | |
| Due to other funds - primary government | 856 | | | |
| Due to other funds - higher education | 5,727 | 5,518 | | 1,180 |
| Advances from other funds | | | | |
| Capital leases | | | | |
| Notes payable | | | | |
| Revenue bonds | | | | |
| Total Liabilities | 133,270 | 11,445 | 563 | 1,982 |
| Equity and other credits: | | | | |
| Net investment in fixed assets | | | | |
| Fund balance: | | | | |
| Reserved for: | | | | |
| General | | 46,363 | | |
| Student loans | | | 50,819 | |
| Endowment | | | | 121,576 |
| Unexpended plant | | | | |
| Renewals and replacements | | | | |
| Retirement of indebtedness | | | | |
| Unreserved | 189,548 | | | |
| Total Equity and Other Credits | 189,548 | 46,363 | 50,819 | 121,576 |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | $322,818 | $ 57,808 | $ 51,382 | $ 123,558 |

| Plant Funds | Agency Fund | Total |
|---|---|---|
| $ 261,092 | $ 4,011 | $ 415,573 |
| 82,867 | 273,933 | 544,996 |
| 3,531 | 123 | 142,471 |
| 6,985 | | 44,944 |
| 911 | | 2,115 |
| | | 4,022 |
| 5,627 | 51 | 13,879 |
| | | 16,680 |
| 2,120,636 | | 2,120,636 |
| 3,734 | | 13,751 |
| $ 2,485,383 | $ 278,118 | $ 3,319,067 |
| $ 14,384 | $ 212 | $ 65,297 |
| 3,014 | 277,904 | 350,641 |
| | | 13,555 |
| | | 856 |
| 1,452 | 2 | 13,879 |
| 16,430 | | 16,430 |
| 5,826 | | 5,826 |
| 12,188 | | 12,188 |
| 418,921 | | 418,921 |
| 472,215 | 278,118 | 897,593 |
| 1,759,375 | | 1,759,375 |
| | | 46,363 |
| | | 50,819 |
| | | 121,576 |
| 116,728 | | 116,728 |
| 13,981 | | 13,981 |
| 25,797 | | 25,797 |
| 97,287 | | 286,835 |
| 2,013,168 | | 2,421,474 |
| $ 2,485,383 | $ 278,118 | $ 3,319,067 |


GREAT SEAL OF THE STATE OF ARKANSAS
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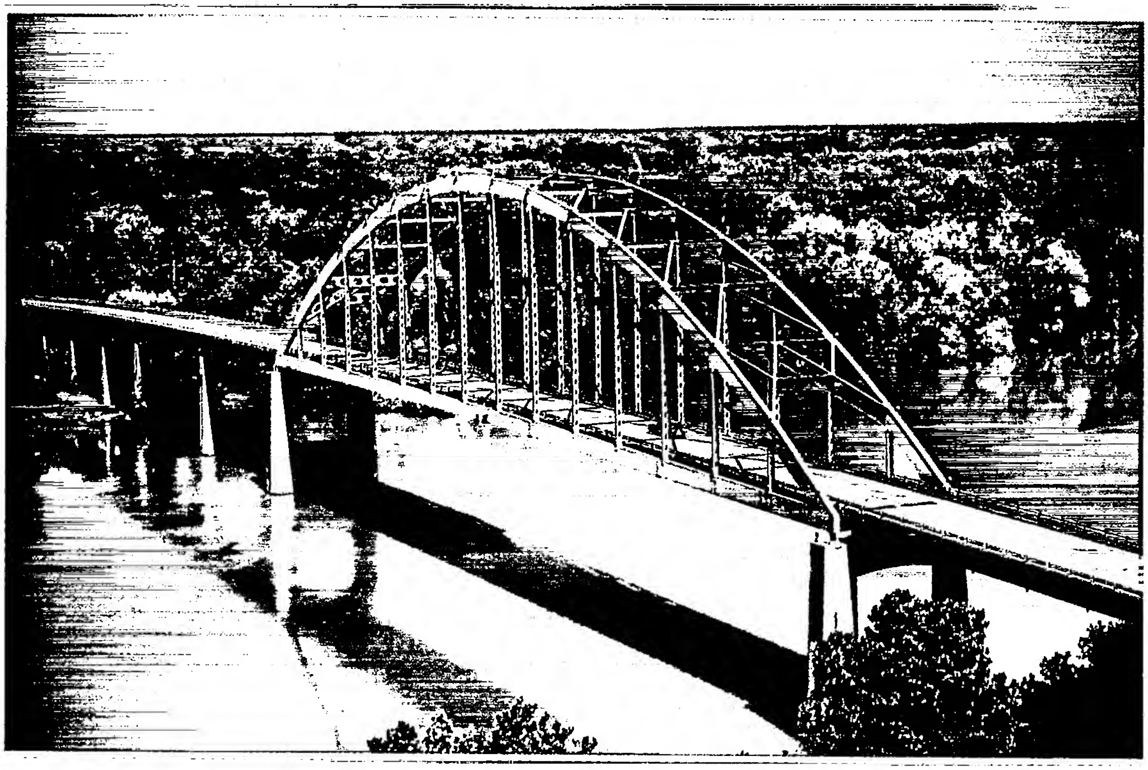
# General Fixed Assets Account Group



**Highway 38 – Des Arc**

The Highway 38 White River Bridge at Des Arc in Prairie County provides a vital link for vehicles across one of Arkansas' navigable waterways.

## GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use by the State for general governmental purposes. These include all fixed assets except those accounted for in the Proprietary, Fiduciary and Higher Education Funds and Component Units.

## Schedule of General Fixed Assets by Source

### June 30, 1999 (Expressed in Thousands)

| | |
|---|---|
| General Fixed Assets: | |
| Land | $ 169,519 |
| Buildings | 624,383 |
| Equipment | 220,963 |
| Construction in progress | 70,625 |
| Total General Fixed Assets | $ 1,085,490 |
| Investment in General Fixed Assets by Source - | |
| General fund | $ 1,085,490 |
| Total Investment in General Fixed Assets | $ 1,085,490 |

## Schedule of General Fixed Assets by Function and Activity

### June 30, 1999 (Expressed in Thousands)

| Function and Activity | Land | Buildings | Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|
| Education | $ 960 | $ 42,254 | $ 16,547 | $ 1,248 | $ 61,009 |
| Health and human resources | 4,253 | 141,728 | 17,661 | 1,316 | 164,958 |
| Transportation | 1,069 | 54,116 | 78,997 | | 134,182 |
| Law, justice and public safety | 33,042 | 246,986 | 48,499 | 45,191 | 373,718 |
| Recreation and resource development | 121,153 | 58,880 | 19,816 | 18,380 | 218,229 |
| General government | 8,797 | 71,037 | 31,628 | 4,135 | 115,597 |
| Regulation of business and professionals | 245 | 9,382 | 7,815 | 355 | 17,797 |
| Total | $169,519 | $624,383 | $220,963 | $ 70,625 | $ 1,085,490 |

## Schedule of Changes in General Fixed Assets by Function and Activity

### For the Fiscal Year Ended June 30, 1999 (Expressed in Thousands)

| Function and Activity | Balance June 30, 1998 | Additions | Deletions | Balance June 30, 1999 |
|---|---|---|---|---|
| Education | $ 56,817 | $ 4,507 | $ 315 | $ 61,009 |
| Health and human resources | 158,249 | 7,459 | 750 | 164,958 |
| Transportation | 132,490 | 7,441 | 5,749 | 134,182 |
| Law, justice and public safety | 356,815 | 27,134 | 10,231 | 373,718 |
| Recreation and resource development | 198,863 | 24,964 | 5,598 | 218,229 |
| General government | 107,049 | 10,405 | 1,857 | 115,597 |
| Regulation of business and professionals | 17,618 | 476 | 297 | 17,797 |
| Total | $ 1,027,901 | $ 82,386 | $ 24,797 | $ 1,085,490 |

GREAT SEAL OF THE STATE OF ARKANSAS

# Discretely Presented Component Units

**Highway 65 – Faulkner County**

Improving the alignment of the highway was one of the benefits of widening Highway 65 from Greenbrier to Damascus, including this new bridge crossing Cadron Creek.

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

AHTD

## DISCRETELY PRESENTED COMPONENT UNITS

Component Units are those entities which are legally separate government organizations for which the State's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading. Discretely Presented Component Units consist of the following:

***Arkansas Student Loan Authority*** - ASLA provides guaranteed educational loans to Arkansas students attending eligible post secondary institutions, and serves as a secondary market and liquidity provider to Arkansas lending institutions which originate guaranteed student loans.

***Arkansas Development Finance Authority*** - ADFA provides financing through the issuance of taxable and tax-exempt bonds for housing, industry, local governments, education, agricultural enterprise, health care, infrastructure projects, jails and prisons. ADFA also offers direct loans for housing, small minority businesses, agriculture and exporting.

# Discretely Presented Component Units Combining Balance Sheet

**June 30, 1999**
**(Expressed in Thousands)**

| | Arkansas Student Loan Authority | Arkansas Development Finance Authority | Total |
|---|---|---|---|
| ASSETS: | | | |
| Cash and cash equivalents | $ 97 | $ 155,841 | $ 155,938 |
| Investments | 33,331 | 887,890 | 921,221 |
| Receivables, net: | | | |
| Accounts | | 3,703 | 3,703 |
| Loans | 195,442 | 409,203 | 604,645 |
| Investment related | 3,230 | 8,749 | 11,979 |
| Fixed assets, net | 20 | 475 | 495 |
| Other assets | 3,925 | 91,455 | 95,380 |
| TOTAL ASSETS | $ 236,045 | $ 1,557,316 | $ 1,793,361 |
| LIABILITIES AND RETAINED EARNINGS: | | | |
| Liabilities: | | | |
| Accounts payable | $ 3,933 | $ 2,576 | $ 6,509 |
| Accrued and other liabilities | | 56,623 | 56,623 |
| Revenue bonds payable | 219,781 | | 219,781 |
| Special obligation bonds payable | | 1,376,337 | 1,376,337 |
| Total Liabilities | 223,714 | 1,435,536 | 1,659,250 |
| Retained earnings: | | | |
| Unreserved | 12,331 | 40,473 | 52,804 |
| Reserved for bond programs | | 81,307 | 81,307 |
| Total Retained Earnings | 12,331 | 121,780 | 134,111 |
| TOTAL LIABILITIES AND RETAINED EARNINGS | $ 236,045 | $ 1,557,316 | $ 1,793,361 |

# Discretely Presented Component Units
# Combining Statement of Revenues, Expenses and Changes in Retained Earnings

**For the Fiscal Year Ended June 30, 1999**
**(Expressed in Thousands)**

| | Arkansas Student Loan Authority | Arkansas Development Finance Authority | Total |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Investment earnings | $ 16,326 | $ 81,198 | $ 97,524 |
| Other | 889 | 291 | 1,180 |
| Total Operating Revenues | 17,215 | 81,489 | 98,704 |
| OPERATING EXPENSES: | | | |
| General and administration | 517 | 18,800 | 19,317 |
| Interest | 10,009 | 90,806 | 100,815 |
| Other | 3,919 | | 3,919 |
| Total Operating Expenses | 14,445 | 109,606 | 124,051 |
| Operating Income (Loss) | 2,770 | (28,117) | (25,347) |
| NON-OPERATING REVENUE - | | | |
| Grants, entitlements and shared revenues | | 17,182 | 17,182 |
| Total Non-operating Revenue | | 17,182 | 17,182 |
| NET INCOME (LOSS) | 2,770 | (10,935) | (8,165) |
| RETAINED EARNINGS AT BEGINNING OF YEAR, AS ADJUSTED | 9,561 | 132,715 | 142,276 |
| RETAINED EARNINGS AT END OF YEAR | $ 12,331 | $ 121,780 | $ 134,111 |

# Discretely Presented Component Units
# Combining Statement of Cash Flows

### For the Fiscal Year Ended June 30, 1999
### (Expressed in Thousands)

| | Arkansas Student Loan Authority | Arkansas Development Finance Authority | Total |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Operating income (loss) | $ 2,770 | $ (28,117) | $ (25,347) |
| Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities: | | | |
| Depreciation, accretion and amortization, net | 571 | (4,671) | (4,100) |
| Provision for arbitrage rebate | 600 | | 600 |
| Net depreciation on investments | | 24,508 | 24,508 |
| Provision for loan loss | | 380 | 380 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | | 5,679 | 5,679 |
| Loans receivable | (18,017) | 96,530 | 78,513 |
| Investment related receivable | (419) | (2,502) | (2,921) |
| Other assets | (129) | 374 | 245 |
| Accounts payable and accrued expenses | (93) | (47,660) | (47,753) |
| Other liabilities | | (1,318) | (1,318) |
| Net Cash (Used) Provided by Operating Activities | (14,717) | 43,203 | 28,486 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of bonds | | 337,816 | 337,816 |
| Repayment of bonds | (11,150) | (350,221) | (361,371) |
| Payment of debt issuance costs | | (2,305) | (2,305) |
| Collection of financing fees | | 1,250 | 1,250 |
| Net Cash Used by Non-capital Financing Activities | (11,150) | (13,460) | (24,610) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES - | | | |
| Proceeds from grants, entitlements and shared revenues | | 17,182 | 17,182 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of investments | (2,335) | (987,770) | (990,105) |
| Proceeds from sales and maturities of investments | 28,251 | 883,268 | 911,519 |
| Lease payments received | | 9,825 | 9,825 |
| Net Cash Provided (Used) by Investing Activities | 25,916 | (94,677) | (68,761) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 49 | (47,752) | (47,703) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 48 | 203,593 | 203,641 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 97 | $ 155,841 | $ 155,938 |


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
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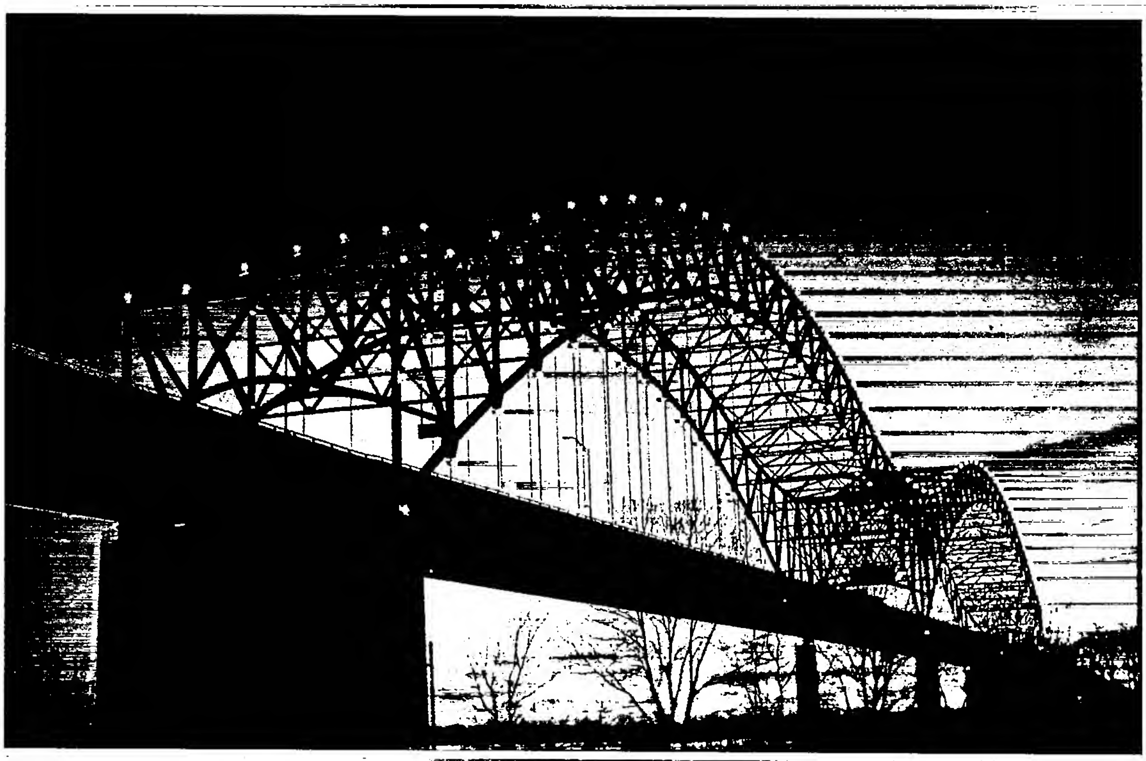
# Statistical Section



**I-40 – Memphis**

The I-40 Mississippi River Bridge at Memphis presents a picturesque silhouette against the early evening sky around sunset.

ARKANSAS STATE HIGHWAY AND TRANSPORTATION DEPARTMENT
AHTD

## Table 1
## Expenditures By Function
## General Fund/Year Ended June 30
## (Expressed in Thousands)

| | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|
| Education | $ 1,959,309 | $ 1,883,809 | $ 1,812,291 | $ 1,690,844 |
| Health and human resources | 2,614,967 | 2,496,628 | 2,437,633 | 2,297,385 |
| Transportation | 559,572 | 635,188 | 677,638 | 579,417 |
| Law, justice and public safety | 311,176 | 265,313 | 282,258 | 241,228 |
| Recreation and resource development | 170,619 | 177,838 | 163,937 | 178,519 |
| General government | 992,322 | 724,127 | 751,164 | 783,378 |
| Regulation of business and professionals | 139,345 | 121,450 | 147,064 | 130,339 |
| Debt service | 57,917 | 54,876 | 77,360 | 27,413 |
| Capital outlay | 120,525 | 110,988 | 184,003 | 94,874 |
| Other | | | | |
| Total Expenditures | $ 6,925,752 | $ 6,470,217 | $ 6,533,348 | $ 6,023,397 |

NOTE: The expenditures for fiscal years 1994 through 1990 are shown on a cash basis.

## Table 2
## Revenues By Source
## General Fund/Year Ended June 30
## (Expressed in Thousands)

| | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|
| Taxes: | | | | |
| Personal income | $ 1,625,316 | $ 1,553,778 | $ 1,378,162 | $ 1,328,615 |
| Consumer sales | 1,560,892 | 1,476,686 | 1,435,841 | 1,364,977 |
| Corporate net income | 248,664 | 268,605 | 236,538 | 259,056 |
| Gas and motor carrier | 386,503 | 368,050 | 355,586 | 353,598 |
| Other | 353,136 | 361,071 | 312,704 | 407,647 |
| Intergovernmental | 2,459,368 | 2,387,385 | 2,335,367 | 2,213,786 |
| Licenses, permits and fees | 438,174 | 414,338 | 381,498 | 355,742 |
| Investment earnings | 108,000 | 90,169 | 68,888 | 66,033 |
| Other | 390,236 | 241,826 | 386,352 | 361,376 |
| Total Revenues | $ 7,570,289 | $ 7,161,908 | $ 6,890,936 | $ 6,710,830 |

NOTE: The revenues for fiscal years 1994 through 1990 are shown on a cash basis.

| 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|
| $1,629,154 | $1,539,641 | $1,415,624 | $1,384,835 | $1,228,314 | $1,139,096 |
| 2,067,465 | 2,834,720 | 1,885,566 | 2,571,880 | 2,052,311 | 1,531,686 |
| 483,972 | 517,992 | 510,369 | 513,979 | 396,162 | 340,603 |
| 200,574 | 268,862 | 240,411 | 197,277 | 180,454 | 149,475 |
| 150,509 | 132,716 | 136,780 | 114,284 | 117,197 | 120,001 |
| 722,077 | 954,499 | 757,474 | 346,702 | 306,314 | 269,932 |
| 126,415 | 95,751 | 85,913 | 111,519 | 102,143 | 99,340 |
| 9,184 | 12,374 | 45,328 | 9,920 | | |
| 73,812 | 6,984 | 11,912 | | | |
| | | | 4,324 | | |
| $5,463,162 | $6,363,539 | $5,089,377 | $5,254,720 | $4,382,895 | $3,650,133 |

| 1995 | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|
| $1,227,075 | $1,117,530 | $1,051,909 | $ 970,883 | $ 908,054 | $ 843,986 |
| 1,312,884 | 1,220,868 | 1,429,880 | 1,039,540 | 890,592 | 843,226 |
| 214,712 | 204,027 | 177,368 | 152,218 | 134,812 | 149,570 |
| 348,296 | 334,691 | 315,540 | 349,881 | 228,985 | 228,083 |
| 328,390 | 306,335 | 295,988 | 202,725 | 196,552 | 193,757 |
| 1,990,879 | 1,731,468 | 1,625,469 | 1,519,246 | 1,296,045 | 1,060,709 |
| 255,279 | 227,750 | 194,456 | 182,783 | 157,621 | 154,778 |
| 48,931 | 25,483 | 30,119 | 12,984 | 13,561 | 12,914 |
| 333,038 | 1,473,901 | 366,649 | 1,413,874 | 1,019,139 | 645,273 |
| $6,059,484 | $6,642,053 | $5,487,378 | $5,844,134 | $4,845,361 | $4,132,296 |

## Table 3
## Ratio of Outstanding General Obligation Debt to Assessed Value and Net Debt Per Capita For the Last Ten Fiscal Years (Expressed in Thousands - Except for Ratio and Per Capita Data)

| For the Year Ended June 30 | Population | Assessed Property Value | General Obligation Debt | Net General Obligation Debt: Per Capita | Net General Obligation Debt: Ratio Assessed Value |
|---|---|---|---|---|---|
| 1999 | 2,557 | $21,648,239 | $ 388,336 | 151.87 | 0.018 |
| 1998 | 2,538 | 20,796,084 | 400,402 | 157.76 | 0.019 |
| 1997 | 2,519 | 19,894,960 | 299,101 | 118.74 | 0.015 |
| 1996 | 2,500 | 18,383,044 | 244,683 | 97.87 | 0.013 |
| 1995 | 2,480 | 17,020,575 | 146,729 | 59.16 | 0.009 |
| 1994 | 2,449 | 16,638,626 | 149,261 | 60.95 | 0.009 |
| 1993 | 2,422 | 15,755,563 | 148,035 | 61.12 | 0.009 |
| 1992 | 2,392 | 15,200,446 | 132,040 | 55.20 | 0.009 |
| 1991 | 2,369 | 14,652,881 | 37,420 | 15.80 | 0.003 |
| 1990 | 2,353 | 13,878,920 | 28,075 | 11.93 | 0.002 |

Sources:

Population: State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

Assessed Property Value: Assessment Coordination Division of the Public Service Commission

## Table 4
## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Revenues and Expenditures For the Last Ten Fiscal Years (Expressed in Thousands)

| For the Year Ended June 30 | Debt Service | Total Revenue | Ratio | Total Expenditures | Ratio |
|---|---|---|---|---|---|
| 1999 | $57,917 | $7,570,289 | .0077 | $6,925,752 | .0084 |
| 1998 | 54,876 | 7,161,908 | .0077 | 6,470,217 | .0085 |
| 1997 | 77,360 | 6,890,936 | .0112 | 6,533,348 | .0118 |
| 1996 | 27,413 | 6,710,830 | .0041 | 6,023,397 | .0046 |
| 1995 | 9,184 | 6,059,484 | .0015 | 5,463,162 | .0017 |
| 1994 | 12,374 | 6,960,842 | .0018 | 6,363,539 | .0019 |
| 1993 | 45,328 | 5,487,378 | .0083 | 5,089,377 | .0089 |
| 1992 | 9,920 | 5,844,134 | .0017 | 5,254,720 | .0019 |
| 1991 | 14,490 | 4,845,361 | .0030 | 4,382,895 | .0033 |
| 1990 | 8,886 | 4,132,296 | .0022 | 3,650,133 | .0024 |

## Table 5
## Revenue Bond Coverage
## For the Last Ten Years
## (Expressed in Thousands)

| | Gross Revenue (1) | Direct Operating Expense | Net Revenue Available For Debt Service | Principal | Interest | Total Debt Service | Coverage |
|---|---|---|---|---|---|---|---|
| Arkansas Student Loan Authority | | | | | | | |
| 1999 | $42,470 | $ 2,775 | $39,695 | $1,665 | $12,002 | $ 13,667 | 2.90 |
| 1998 | 37,510 | 2,572 | 34,938 | 2,100 | 12,200 | 14,300 | 2.44 |
| 1997 | 33,702 | 2,360 | 31,342 | 8,570 | 12,554 | 21,124 | 1.48 |
| 1996 | 31,471 | 2,076 | 29,395 | 2,575 | 10,968 | 13,543 | 2.17 |
| 1995 | 29,253 | 2,001 | 27,252 | 3,200 | 10,379 | 13,579 | 2.01 |
| 1994 | 22,198 | 1,673 | 20,525 | 3,415 | 7,470 | 10,885 | 1.89 |
| 1993 | 16,257 | 1,435 | 14,822 | 3,680 | 5,315 | 8,995 | 1.65 |
| 1992 | 12,876 | 1,216 | 11,660 | 6,680 | 3,734 | 10,414 | 1.12 |
| 1991 | 12,634 | 1,067 | 11,567 | 3,150 | 4,612 | 7,762 | 1.49 |
| 1990 | 12,627 | 1,135 | 11,492 | 3,400 | 5,634 | 9,034 | 1.27 |

(1) Includes principal payments on student loans which are available for debt service.

## Table 6
## Demographic Statistics
## For the Last Ten Years
## (Expressed in Thousands)

| Calendar Year | | Total Population | Per Capita Personal Income | Unemployment Rate |
|---|---|---|---|---|
| 1999 | (forecast) | 2,557 | $21,187 | 4.6 % |
| 1998 | | 2,538 | 20,395 | 5.5 % |
| 1997 | | 2,519 | 19,626 | 5.3 % |
| 1996 | | 2,500 | 18,844 | 5.4 % |
| 1995 | | 2,480 | 17,935 | 4.9 % |
| 1994 | | 2,449 | 17,096 | 5.3 % |
| 1993 | | 2,422 | 16,392 | 6.1 % |
| 1992 | | 2,392 | 15,821 | 7.2 % |
| 1991 | | 2,369 | 14,776 | 7.3 % |
| 1990 | | 2,353 | 14,033 | 6.9 % |

Source:
State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

**Table 7**
**Economic Statistics**
**For the Last Ten Years**
**(Expressed in Millions)**

| Calendar Year | Gross State Product (Stated in 1992 Dollars) | Personal Income |
|---|---|---|
| 1999 | $56,043 | $54,171 |
| 1998 | 54,453 | 51,763 |
| 1997 | 53,209 | 49,442 |
| 1996 | 51,445 | 47,116 |
| 1995 | 49,690 | 44,478 |
| 1994 | 48,251 | 41,881 |
| 1993 | 45,355 | 39,704 |
| 1992 | 43,810 | 37,845 |
| 1991 | 41,623 | 35,003 |
| 1990 | 40,059 | 33,020 |

Source:
State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research

**Table 8**
**Property Values, Taxable Sales, Bank Deposits and Bank Loans**
**(Expressed in Millions - Except for Bank Number Data)**

| | | | Banks | | | |
|---|---|---|---|---|---|---|
| Calendar Year Ended | Assessed Property Values | Retail Sales | Number | Deposits | Loans | Assets |
| 1999 | $21,648 | $24,669 | N/A | N/A | N/A | N/A |
| 1998 | 20,796 | 22,991 | 202 | $21,503 | $14,772 | $25,128 |
| 1997 | 19,895 | 23,047 | 226 | 24,704 | 17,159 | 28,735 |
| 1996 | 18,383 | 22,041 | 233 | 26,453 | 17,515 | 30,633 |
| 1995 | 17,021 | 20,666 | 242 | 24,057 | 16,298 | 27,987 |
| 1994 | 16,639 | 19,295 | 257 | 23,431 | 14,085 | 27,085 |
| 1993 | 15,756 | 17,925 | 257 | 22,109 | 12,642 | 25,164 |
| 1992 | 15,200 | 16,667 | 258 | 21,534 | 11,636 | 24,371 |
| 1991 | 14,653 | 15,712 | 255 | 19,388 | 11,060 | 21,860 |
| 1990 | 13,879 | 15,433 | 257 | 17,638 | 10,308 | 19,990 |

N/A - Information not available.

Sources:

| | |
|---|---|
| Assessed Property Value: | Assessment Coordination Division of the Public Service Commission |
| Taxable Sales: | State of Arkansas Department of Finance and Administration Economic Analysis and Tax Research |
| Banks: | State Bank Department; FDIC Database |

**Table 9**
**Twenty-five Largest Private Sector Employers in Arkansas**

| | Company | Number of Employees |
|---|---|---|
| 1. | Wal-Mart Stores Inc. | 32,500 |
| 2. | Tyson Foods Inc. | 24,445 |
| 3. | ConAgra Inc. | 5,433 |
| 4. | Beverly Enterprises Inc. | 5,106 |
| 5. | Baptist Health | 5,000 |
| 6. | Georgia-Pacific Corporation | 4,739 |
| 7. | Alltel Corporation | 4,500 |
| 8. | Emerson Electric Company | 4,139 |
| 9. | International Paper Company | 3,545 |
| 10. | St. Vincent Infirmary Medical Center | 3,200 |
| 11. | Whirlpool Corporation | 3,100 |
| 12. | White Consolidated Industries | 3,097 |
| 13. | Entergy Corporation | 3,000 |
| 14. | SBC Communications Inc. | 3,000 |
| 15. | J.B. Hunt Transport Services Inc. | 2,900 |
| 16. | Dillard's Incorporated | 2,808 |
| 17. | Arkansas Children's Hospital Inc. | 2,800 |
| 18. | Kroger Co. | 2,700 |
| 19. | Union Pacific Railroad Co. | 2,610 |
| 20. | O.K. Industries Inc. | 2,492 |
| 21. | Cargill | 2,326 |
| 22. | Regions Bank of Arkansas (First Commercial) | 2,292 |
| 23. | Baldor Electric Co. | 2,121 |
| 24. | American Greetings Corp. | 2,097 |
| 25. | Riceland Foods Inc. | 2,000 |

Source:

Arkansas Business Book of Lists, 7th Edition

## Table 10A
## Miscellaneous Public Education Statistics
## For the Last Ten Years

| School Year Ended | Number of Schools | Average Daily Attendance | Number of Teachers | Pupil-Teacher Ratio |
|---|---|---|---|---|
| 1999 | * | * | * | * |
| 1998 | 1,149 | 429,892 | 29,616 | 14.52 |
| 1997 | 1,104 | 426,983 | 29,415 | 14.52 |
| 1996 | 1,095 | 420,901 | 29,344 | 14.34 |
| 1995 | 1,095 | 418,222 | 28,875 | 14.48 |
| 1994 | 1,119 | 414,065 | 28,550 | 14.50 |
| 1993 | 1,082 | 411,306 | 28,180 | 14.60 |
| 1992 | 1,095 | 409,174 | 28,206 | 14.51 |
| 1991 | 1,103 | 406,631 | 25,360 | 16.03 |
| 1990 | 1,097 | 405,586 | 25,110 | 16.15 |

* - Information not available for 1999.

Source:
Annual Status Report of the Public Schools of Arkansas and Arkansas Statistical Abstract

| | Expenditure on Education Per Pupil in Daily Attendance | | | % Revenue from State Government | | |
|---|---|---|---|---|---|---|
| Calendar Year Ended | U.S. | AR | AR Rank | U.S. | AR | AR Rank |
| 1999 | * | * | * | * | * | * |
| 1998 | * | $4,497 | * | * | * | * |
| 1997 | $6,335 | 4,383 | 48 | 48.70 % | 65.90 % | 6 |
| 1996 | 6,103 | 4,353 | 48 | 47.90 | 65.40 | 7 |
| 1995 | 5,894 | 4,059 | 49 | 46.00 | 63.60 | 9 |
| 1994 | 5,730 | 3,949 | 49 | 45.80 | 62.70 | 11 |
| 1993 | 5,616 | 3,928 | 47 | 46.90 | 62.30 | 11 |
| 1992 | 5,466 | 3,770 | 46 | 47.90 | 62.80 | 12 |
| 1991 | 5,261 | 3,334 | 48 | 48.90 | 61.20 | 12 |
| 1990 | 4,890 | 3,272 | 48 | 48.70 | 59.50 | 13 |

* - Information not available.

Source:
National Education Association Research, Rankings of the States - 1997

# Table 10B
# Miscellaneous Higher Education Statistics
# For the Last Ten Years

Public Institutions

| | Fall Net Enrollment | Degrees Awarded: Undergraduate | Graduate | Total |
|---|---|---|---|---|
| 1998-99 | 97,742 | 13,027 | 2,951 | 15,978 |
| 1997-98 | 95,435 | 12,743 | 2,869 | 15,612 |
| 1996-97 | 92,069 | 13,152 | 2,910 | 16,062 |
| 1995-96 | 90,276 | 12,543 | 2,729 | 15,272 |
| 1994-95 | 89,466 | 11,907 | 2,823 | 14,730 |
| 1993-94 | 89,230 | 11,684 | 2,754 | 14,438 |
| 1992-93 | 88,764 | 11,351 | 2,641 | 13,992 |
| 1991-92 | 81,121 | 9,126 | 2,408 | 11,534 |
| 1990-91 | 77,554 | 8,515 | 2,297 | 10,812 |
| 1989-90 | 73,035 | 8,125 | 2,370 | 10,495 |

Private Institutions

| | Fall Net Enrollment | Degrees Awarded: Undergraduate | Graduate | Total |
|---|---|---|---|---|
| 1998-99 | 10,781 | 1,871 | 76 | 1,947 |
| 1997-98 | 10,698 | 1,950 | 80 | 2,030 |
| 1996-97 | 11,116 | 1,893 | 90 | 1,983 |
| 1995-96 | 10,969 | 1,786 | 80 | 1,866 |
| 1994-95 | 10,703 | 1,566 | 59 | 1,625 |
| 1993-94 | 10,602 | 1,634 | 73 | 1,707 |
| 1992-93 | 10,422 | 1,675 | 62 | 1,737 |
| 1991-92 | 10,145 | 1,730 | 63 | 1,793 |
| 1990-91 | 10,051 | 1,616 | 105 | 1,721 |
| 1989-90 | 9,788 | 1,601 | 92 | 1,693 |

Source:

On-Campus Enrollment and Geographic Origins in Arkansas Higher Education - Fall 1989-1993; Fall Student Enrollments 1998.

Annual Summary Report of Degrees Granted by Arkansas Institutions of Higher Education, 1990-91 to 1994-95; Degrees and Certificates Awarded by Arkansas Higher Education, 1995-96 to 1998-99.

**Table 11**
**Miscellaneous Statistics**

| | |
|---|---|
| Date of Statehood | 1836 |
| Form of Government | Constitutional Representative Government |
| Land Area | 34,036,700 Acres |
| Miles of State Highway | 16,351 |
| | |
| State Police Protection: | |
| Number of Stations | 17 |
| Number of State Police | 572 |
| | |
| Higher Education (State supported): | |
| Number of Campuses | 32 |
| Number of Students | 97,742 |
| | |
| Recreation: | |
| Number of State Parks | 48 |
| Area of State Parks and Forests | 51,294 Acres |
| Number of Museums | 5 |

DPC DATA

# NRMSIR Inventory Control Form

- [ ] ANNUAL FINANCIAL STATEMENT
- [ ] CDR
- [x] CAFR
- [ ] BUDGET
- [ ] INTERIM
- [ ] STATUTORY
- [ ] DOCUMENT CORRECTION